

**THE SMALL BUSINESS TRADE SNAPSHOT:  
AGRICULTURE AND WORKERS**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON RURAL DEVELOP-  
MENT, AGRICULTURE, TRADE, AND  
ENTREPRENEURSHIP  
OF THE  
COMMITTEE ON SMALL BUSINESS  
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# CONTENTS

## OPENING STATEMENTS

Hon. Abby Finkenauer .....	Page 1
Hon. John Joyce .....	3

## WITNESSES

Mr. Mark Meirick, Board Member, Iowa Pork Producers Association, Protivin, IA, testifying on behalf of the National Pork Producers Council .....	6
Ms. Rebecca Dostal, Producer, Iowa Farm Bureau Federation, Traer, IA, testifying on behalf of the Iowa Farm Bureau Federation .....	7
Mr. Josh Nassar, Legislative Director, International Union, United Automobile, Aerospace, and Agriculture Implement Workers of America, Washington, DC .....	9
Mr. Glenn Stoltzfus, Co-owner, Pennwood Farms, District 11 State Board Director and Dairy Committee Chairman, Pennsylvania Farm Bureau, Berlin, PA .....	11

## APPENDIX

### Prepared Statements:

Mr. Mark Meirick, Board Member, Iowa Pork Producers Association, Protivin, IA, testifying on behalf of the National Pork Producers Council .....	28
Ms. Rebecca Dostal, Producer, Iowa Farm Bureau Federation, Traer, IA, testifying on behalf of the Iowa Farm Bureau Federation .....	35
Mr. Josh Nassar, Legislative Director, International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, Washington, DC .....	37
Mr. Glenn Stoltzfus, Co-owner, Pennwood Farms, District 11 State Board Director and Dairy Committee Chairman, Pennsylvania Farm Bureau, Berlin, PA .....	48
Question and Answer for the Record:	
Question from Hon. Ross Spano to Ms. Rebecca Dostal and Answer from Ms. Rebecca Dostal .....	53
Additional Material for the Record:	
None.	



## THE SMALL BUSINESS TRADE SNAPSHOT: AGRICULTURE AND WORKERS

TUESDAY, APRIL 2, 2019

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE,  
TRADE AND ENTREPRENEURSHIP,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Abby Finkenauer [chairwoman of the Subcommittee] presiding.

Present: Representatives Finkenauer, Golden, Radewagen, Hagedorn, and Joyce.

Chairwoman FINKENAUER. Good morning. The Subcommittee will come to order.

I want to thank everyone for joining us here this morning, and I want to especially thank our witnesses for being here today and coming in from all the way from Pennsylvania and Iowa. I also appreciate our friend from the UAW being here, as well. I am very grateful you all made the time.

I grew up in a union family, and I also have a sister and brother-in-law who are corn and soybean farmers. I have watched firsthand the last few years as retaliation from the current trade wars has caused unease, uncertainty, and economic losses across the heartland.

Now trade issues are coming to the forefront of national conversations with implications for nearly every sector of our economy, and we see a number of escalating impacts from current trade negotiations with our major trading partners.

Small businesses—which I like to remind folks are also our farmers—make up 97 percent of U.S. exporters. I look forward today to hearing about what you all think of the state of trade for our farmers, and also working families, who are critical to small and large businesses in numerous trade-impacted industries.

We also want to understand what you want to see out of future trade agreements as Congress learns more about the President's renegotiation of the North American Free Trade Agreement, NAFTA, or USMCA, as it is now called, and our trade negotiations as they are ongoing with China, Japan, and the European Union.

It is no secret that farmers and working families are the backbone of our agriculture economy. In Iowa, agriculture and manufacturing go hand in hand. If our farmers are doing well, so are our working families—and large and small manufacturers—like our UAW workers who work on farm equipment at John Deere—and

vice versa. Their sustained success is critical for communities in Iowa and the rest of the country.

To promote success in rural America we must ensure we have trade policy that helps us export goods, but also protects our workers, communities, and production.

Trade issues are obviously very important to me and I know they are to all of you here today as well. That is why our first hearing in this Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship was also on trade and the State Trade and Export Promotion Program and now our second hearing is also on trade.

Whether it is purchasing the latest iPhone, selling pork or soybeans abroad, or buying a car, every American is impacted by trade policies. Our farmers and workers make the Hawkeye State the country's second-largest agriculture-exporting State, shipping \$10.9 billion in agriculture exports abroad in 2016.

In my district alone, nearly 14,000 people make their livelihoods in agriculture, including some of my own family. We also have union members in my family, and it is not uncommon in Iowa to have both.

Oftentimes in small family farm operations, under 500 acres, you will also have UAW and IBEW members who work hard every day with pride on that family farm and also in their union job that provides great healthcare and great retirement.

Our farmers and workers know some challenges can come with trade. We need to understand how sectors of the economy are often interlinked—agriculture and workers in manufacturing and transportation, for example—so when we are renegotiating trade deals we do so in a way that lifts up all Americans.

We should stand up to countries that are not playing by the rules and lean on our allies for strength. We also must take advantage of every opportunity we have to ensure that American workers' jobs and their livelihoods are being considered.

Ill-conceived trade policy can produce trade wars that create instability. In the simplest terms, trade wars can easily become a tax paid by every American, decreasing exports and slowing economic growth. Bad trade deals or lack of accountability can hurt communities and American workers.

It is vital we retain access to new and expanding markets, but also use our economic power to ensure that the American worker and our farms and businesses are competing on a level playing field.

In our global economy, 95 percent of the world's consumers live outside of the U.S., and for our rural entrepreneurs and farmers, the ability to do business overseas is key.

We know more work needs to be done, however, when only one percent of our nation's 30 million small businesses are able to access foreign markets. More needs to be done when other nations undercut American workers and hurt our domestic business.

In Congress, we need to think about trade as making it easier for farmers and small employers to succeed in the international marketplace while also protecting our workers. It is my hope we can do both, and, quite frankly, we must, and we need a thoughtful approach.

The farmers and small businesses in my district simply want a level playing field on which to compete, and they want to be heard. We need to start by doing more listening in Congress on trade.

We want to hear more from the administration on trade, as well. Congress is supposed to have a role in trade agreements, it is important that this Subcommittee raises trade issues when we can to get this dialogue going, uplift what is happening with trade and tariffs, and highlight the real, on-the-ground impact that our communities across our country are facing.

The USMCA agreement has not yet been delivered to Congress, which is why this hearing is so important. In much of the country there are agriculture interests and hardworking Americans whose economic interests are linked. If our farmers are not doing well, again, they are less likely to buy a new tractor, which, again, are made in the heartland by our union members. Iowa State University estimated that the trade wars will cost Iowa alone \$1 to \$2 billion in losses.

Trade deals impact all of our congressional districts, and that is why we are here today. I want to do some listening and fact-finding on the state of trade right now and where our witnesses think Congress and the President should be going to have their back.

I hope we all take today's testimony to heart and prioritize your concerns through our actions here in Congress, and I hope we all take our fellow Committee members' comments to heart, as well, even if we may disagree with different positions.

With that, I want to thank, again, each of the witnesses for joining us here today and coming all this way, and I look forward to your testimony.

I now would like to yield to our Ranking Member, Dr. Joyce, for his opening statement.

Mr. JOYCE. First of all, thank you, Madam Chairwoman Finkenauer. This hearing is incredibly important.

And a special thanks to Mr. Glenn Stoltzfus from Pennsylvania 13 in Somerset County for joining us here this morning.

American farmers simply nourish our families, both here and across the world. On average, 20 percent of total agricultural production value is sold on international markets. Some commodities, such as cotton, are almost entirely dependent on overseas customers.

The benefits of agricultural trade expand well beyond the cotton industry. In 2017, \$138 billion in agricultural exports generated an additional \$179 billion in economic activity—I will repeat that—generated \$179 billion additional in economic activity. This resulted in the total economic output of over \$300 billion.

The industry supported 1.1 million full-time civilian jobs, which included almost 800,000 jobs off of the farm.

Farms and businesses along the export chain have evolved to meet global demand. They must weather fluctuations in commodity prices, the global economy, and also trade dynamics.

In 2018 the industry was hit with retaliatory tariffs on nearly 1,000 food and agricultural products with an estimated impact of \$11 billion. To mitigate damage suffered by U.S. producers, USDA Secretary Sonny Perdue initiated a \$12 billion assistance package that is being delivered through three temporary programs.

Today we are here to examine how trade disruptions impact agriculture and resonate impacts on the rural and the national economy.

I thank each of our distinguished witnesses from Iowa and Pennsylvania, and I yield back.

Chairwoman FINKENAUER. Thank you, Dr. Joyce. The gentleman yields back.

And if Committee members have an opening statement, we would ask they be submitted for the record.

I would now just like to take a few minutes to explain the timing rules. Each witness gets 5 minutes to testify and members get 5 minutes for questioning, although we may have a second round of questions, as well, since we are so grateful you are here and we want to make sure we use our time wisely.

There is a lighting system in front of you to assist you. The green light comes on when you begin, and the yellow light means there is 1 minute remaining. The red light comes on when you are out of time. And we ask that you stay within that 5-minute timeframe to the best of your ability.

And now I would like to introduce our witnesses. I am so excited again to have two folks from my district here today along with an expert actually on trade from the UAW or the United Auto Workers Union. We also have a good amount of dairy in northeast Iowa, so I look forward to hearing from Mr. Stoltzfus as well.

Our first witness I am going to be introducing is Mr. Mark Meirick. Mr. Meirick is a pork producer from Protivin, Iowa, and is currently serving as the District 3 director for the Iowa Pork Producers Association.

Mr. Meirick and his brothers, Joel and Dennis, own and manage Farmers Mill, Inc., a grain, feed, and seed and fertilizer center serving northeast Iowa. His father started the business as a small feed bagging facility in 1964, and the business has grown to a large commercial grain elevator serving three counties.

Mark is active in the Iowa Pork Producers Board, among other organizations in Howard County, which is one of our most northern counties in Iowa. Mr. Meirick is married to Wendy, and they have three sons, one of which is involved in the business.

I also have to say I found out yesterday that Mr. Meirick is also the nephew of one of my late grandmother's dear friends, who used to bring her communion when she was sick. So Iowa is, yes, definitely like a small town no matter where you are at.

So thank you again, Mr. Meirick, for being here.

And then our second witness is Rebecca Dostal. Ms. Dostal is a farmer in Tama County, Iowa. Her operation is around 700 acres just outside Traer, Iowa. She raises corn, soybeans, Berkshire hogs, and cattle.

Ms. Dostal is an active member and former president of the Tama County Farm Bureau, a 4-H leader—which my brother and sister were able to participate in, but I, unfortunately, got sucked into softball and T-ball, I guess, I don't know, which I wasn't good at either—and is actively involved in an ag women's group called Women, Land and Legacy.

In addition to farming, Ms. Dostal is also a substitute teacher for both the South Tama and North Tama School Districts. She has an



education degree from Iowa State University. And she and her husband also raise three boys on their Tama County farm.

Welcome, Ms. Dostal.

Our third witness is Mr. Josh Nassar. Mr. Nassar has served as the legislative director for the UAW since December 2011. The Legislative Department is responsible for implementing the union's policy agenda and designing the legislative strategy on labor, trade, budget, healthcare, defense, immigration, tax policy, and other issues.

I don't know if there is anything you don't do, Mr. Nassar.

He works closely with members of Congress, the executive branch, and stakeholders. Mr. Nassar and his wife Amy live in the District of Columbia with their daughters Naomi, Justice, and Janice.

Welcome, Mr. Nassar.

I would now like to yield to our Ranking Member, Dr. Joyce, to introduce our final witness.

Mr. JOYCE. Thank you, Madam Chairwoman.

I am proud to introduce one of my constituents, one of the hard-working dairy farmers from Pennsylvania 13, Mr. Glenn Stoltzfus.

Glenn and his three brothers, Donald, Dwight, and Dwayne, operate a 700-cow dairy in Berlin, Pennsylvania, which is in Somerset County. The family also farms approximately 1,700 acres, growing corn, soybeans, alfalfa, and grass hay, in addition to growing all their forages in high moisture corn.

Glenn serves on the Executive Committee of the Pennsylvania Farm Bureau's Board of Directors. He also chairs Pennsylvania Farm Bureau's Dairy Committee and serves on the U.S. House and Senate legislative committees.

Now, this is a gentleman who gets up most mornings at 1 or 2 or 3 a.m. as confirmed by his wife who is present here today. But don't ask him to do anything this coming Saturday because he is going to be driving his daughter's championship basketball team in the Maple Fest parade in Meyersdale.

The Maple Festival Parade is an annual tradition, and his daughter Rayne was one of the participants in the Lady Mountaineers. And I have to make special note, when a small town team wins a state championship it is a big deal in our world.

Again, congratulations to the parents, and especially to Rayne.

Thank you for being here. Thank you for imparting what you do in the dairy industry to this Committee. And I yield back to the Chairwoman.

Chairwoman FINKENAUER. Thank you very much.

Mr. Meirick you are recognized for 5 minutes.

**STATEMENTS OF MR. MARK MEIRICK, BOARD MEMBER, IOWA PORK PRODUCERS ASSOCIATION, PROTIVIN, IA, TESTIFYING ON BEHALF OF THE NATIONAL PORK PRODUCERS COUNCIL; MS. REBECCA DOSTAL, PRODUCER, IOWA FARM BUREAU FEDERATION, TRAER, IA, TESTIFYING ON BEHALF OF THE IOWA FARM BUREAU FEDERATION; MR. JOSH NASSAR, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, WASHINGTON, DC; AND MR. GLENN STOLTZFUS, CO-OWNER, PENNWOOD FARMS, DISTRICT 11 STATE BOARD DIRECTOR AND DAIRY COMMITTEE CHAIRMAN, PENNSYLVANIA FARM BUREAU, BERLIN, PA**

**STATEMENT OF MARK MEIRICK**

Mr. MEIRICK. Good morning, Chairwoman Finkenauer and distinguished members of the Committee. Thank you for the invitation to testify on behalf of more than 60,000 U.S. pork producers.

My name is Mark Meirick, and I am a farmer from Protivin, Iowa. My wife and I raise pigs and grow crops, including corn and soybeans. I am a member of the Howard County Pork Producers, the Iowa Corn Growers, the Iowa Soybean and Ag Business of Iowa.

U.S. pork is a major contributor to the agricultural and overall U.S. economy. Today, U.S. pork producers provide 26 billion pounds of safe, wholesome, and nutritious meat protein to consumers worldwide. Exports of pork add to the bottom line of each pork producer and support approximately 110,000 jobs in the U.S. pork and allied industries.

In 2018, U.S. pork exports were valued at nearly \$6.3 billion and represented over 25 percent of the U.S. production. The biggest driver of increased exports over the past three decades has been free trade agreements, which eliminate or reduce tariff and non-tariff barriers to U.S. exports. In fact, we export more pork to the 20 nations with which the United States has FTAs than to the rest of the world combined.

The U.S. pork industry has the dubious distinction of being on three retaliation lists, two with China and one with Mexico. China and Mexico are very important export markets for U.S. pork.

In China we already had a 12 percent tariff on pork imports. We now face a combined duty of 62 percent in response to the United States imposing tariffs on imports of steel and aluminum and China's theft of U.S. intellectual property and its forced technology transfers.

On June 5, 2018, Mexico, where U.S. pork previously shipped product at a zero tariff rate under NAFTA, imposed a 10 percent duty on pork tariffs in response to the U.S. steel and aluminum import tariff. That retaliatory tariff increased to 20 percent 1 month later.

According to Iowa State economist Dermot Hayes, the pork industry stands to lose the entire Mexican market if we continue to face the 20 percent punitive tariffs. Retaliatory tariffs have cost U.S. pork producers \$12 per animal, translating into industrywide losses of \$1.5 billion annually.

As the world's most competitive producer of pork, the United States was anticipating increases in access to Japan and Vietnam under the Trans-Pacific Partnership. These export prospects are also what prompted construction of five new pork packing plants across rural America. Unfortunately, restricted market access from ongoing trade disputes is making it increasingly difficult for U.S. pork producers to respond to uncertain export conditions.

Producers are eager to see ratification of the U.S.-Mexico-Canada trade agreement. We are very pleased that the USMCA preserves zero tariff rate for pork in North America. Under the terms of our previous agreement with North American trading partners Mexico and Canada became our number one and number four volume export markets, respectively. In fact, those two countries account for 40 percent of all U.S. pork exports.

The U.S. metal tariffs have opened the door for some of our largest competitors in Mexico to enjoy duty free access. Professor Hayes of Iowa State looked at the possibility of U.S. pork finding alternative markets and concluded that without the Mexican market it would be left with a net loss of about 600,000 tons of pork, or 5 percent of the total U.S. production. A loss in exports to Mexico of that magnitude would be catastrophic for the U.S. pork industry and for all American agriculture.

Keep in mind that Canadian retaliation against U.S. pork remains a possibility as long as it faces the U.S. metal tariffs.

In addition to calling for a swift resolution of the current trade dispute with Mexico and Canada, pork producers have been urging the Trump administration to begin negotiating new free trade agreements, particularly with Japan. For now, Japan is the number one export market based on value for U.S. pork. Last year, it concluded two trade agreements that have begun to erode U.S. market share in Japan.

A U.S. free trade agreement in Japan would restore U.S. pork's competitive position in a critical market, and this can't happen fast enough.

Trade is vital to the success of U.S. pork producers, but tariffs on U.S. pork exports to two of our top three markets, no clear timeline for new trade agreement negotiations with Japan and other key markets, uncertainty surrounding the ratification of the USMCA, and growing competition from other pork producing nations have U.S. pig farmers like me more than a little worried.

The bottom line is that U.S. pork is shouldering a disproportionate share of trade retaliation against the United States. My fellow producers and I need relief.

Thank you.

Chairwoman FINKENAUER. Thank you, Mr. Meirick.

And we now recognize Ms. Dostal for 5 minutes.

#### **STATEMENT OF REBECCA DOSTAL**

Ms. DOSTAL. Ms. Chairwoman, Ranking Member Joyce, and members of the Subcommittee, thank you for the opportunity to address you today.

My name is Rebecca Dostal. I am a farmer from Tama County, Iowa. Our operation is around 700 acres just outside of Traer, Iowa, where we raise three boys, corn, soybeans, Berkshire hogs,

and cattle. I am honored to have the opportunity to submit comments regarding trade and how it impacts agriculture in rural America.

Rural America and the rural way of life is something I am deeply passionate about. I am active in our community as a member and former president of the Tama County Farm Bureau, a 4-H leader, and I am actively involved in an ag women's group called Women, Land and Legacy. In addition to farming, I am also a substitute teacher for both South Tama and North Tama School Districts.

Agriculture and rural communities provide a lifestyle and value system that is very important to me and my family, and I believe that without international trade that lifestyle is not sustainable. Our way of life deeply depends on foreign consumers and international markets. In order for us to operate in Tama County, Iowa, we must be able to feed those living in Hong Kong, Mexico, Mexico City, and Cairo, or our farm will not survive.

As I am sure you are all aware, agriculture is tremendously important to Iowa. We rank first in the Nation in corn and hog production and second in soybean production. In our State, agriculture directly employs 330,000 jobs. Last year, Iowa produced over 2.5 billion bushels of corn and 698 million bushels of soybeans. That is a lot of grain.

Ultimately we need to find somewhere for that grain to go. On average, the U.S. has exported 42 percent of our soybeans and 14 percent of our corn. Our top export countries have been Mexico, Japan, and South Korea for corn, and China, Mexico, and the Netherlands for our beans.

Historically, we have relied on foreign markets to export our grain, and those foreign consumers have allowed agriculture, including farms like mine, to grow.

However, this year that dynamic has not been as reliable. Since the retaliatory tariffs have hit we have seen the price of beans drop below the price of production, hog exports have slowed, and any hopes of expanding our operation have evaporated.

The tariffs have hit us back home in the heartland in a very real way that has a ripple effect throughout our community. Every year farmers go to their bankers to set up a projected cash flow plan for the upcoming crop year. A typical farmer will use an operating note to borrow cash to pay for that year's expenses. With seed, fertilizer, and equipment purchases often all coming at the same time, cash flow on a farm is difficult without these operating loans.

When we sat down with our banker and did our budget in January of 2018 we used the projected pricing models that everyone uses to determine what level of financing we needed. We are always cautious to make sure that we do not overborrow and only borrow what we need. The problem is no level of caution and no pricing models could predict a trade war.

When the tariffs hit, the price of beans crashed almost \$2 a bushel and the price of corn dropped almost a dollar. An average acre in Iowa produces around 200 bushels of corn and 57 bushels of soybeans. So on an average acre the farmer lost almost \$200 an acre on corn and \$114 an acre on soybeans.

That deep of a drop often causes a farmer from having a profit to losing money. Today the price of soybeans is below the cost of production, and the price of corn is hovering around an even cost.

Because of the loss of revenue at the end of the 2018 crop year we did not have enough money to pay back our operating loan. Ultimately we had to refinance our operating loan using other equipment and possessions as collateral.

Luckily, we are diversified, so we can make up our crop losses in other areas like cattle and hogs, but when it is that dramatic it makes things difficult. It will stop us from purchasing equipment upgrades, expanding our herds, or acquiring more land.

The trade aid payments that were made from the USDA helped cover some of our losses but not nearly all of it. Without the trade aid we would not have been able to come close to covering operating costs. While we appreciate the assistance, we would much rather be paid a fair price by the market, rather than be paid restitution by the government for the trade war.

Going forward with inputs staying high, prices staying low, and no end to the trade war with China in sight, things do not look great on my farm. This year I am subbing more than ever to make up for losses on the farm, but substitute teaching doesn't supplement my life ultimately. We are small farmers, and that is what our livelihood depends on.

My ultimate worry is how this impacts Iowa, Tama County, and our community of Traer. I see how it impacts our rural schools and our rural community. We are losing rural population, our towns are shrinking, and our community is slowly dying. If you are a small farmer like me and you can't make a living in agriculture, you have no option but to leave. I strongly believe in the rural way of life, and with today's economics, sadly, it may not exist for much longer. We need trade to sustain our farmers, our towns, and our communities.

There is an easy solution to our trade woes. Trade deals like TPP, the USMCA, a trade agreement with the EU that includes agriculture, and a trade deal with China that is fair and predictable would expand our markets, help American farmers, and sustain our rural communities. Protectionist trade policies do not help Americans, it only hurts us in the heartland.

With that, I thank you for allowing me to speak today, and I will happily take any questions that you have.

Chairwoman FINKENAUER. Thank you, Ms. Dostal.

And now I would like to recognize Mr. Nassar for 5 minutes.

#### **STATEMENT OF JOSH NASSAR**

Mr. NASSAR. Thank you for having me, Madam Chairwoman and Ranking Member Joyce and members of the Committee. I want to thank you on behalf of our one million members and our president, Gary Jones, for this opportunity and for being able to participate in this important conversation.

I think, first of all, when looking at trade I want to talk about what we are trying to achieve. For United Auto Workers it is pretty clear. We are trying to provide, make sure there are opportunities for more good-paying jobs in the United States. That is the bot-

tom line when we look at trade agreements and every other policy area.

And in order to achieve that, to really strengthen the middle class and make manufacturing jobs the jobs they used to be, we think it is important to look at all policy issues. You have to look at labor enforcement, you have to look at tax policy, investments in workforce and in many other things. We think that a holistic view is needed, but trade is an important part.

Now, for auto workers, we are proud of the fact that we help make—our members help make auto jobs middle class jobs, a bridge to the middle class. But that is less and less the case today as wages in manufacturing has dropped, and dropped significantly in manufacturing in general, but in auto it has been actually 29 percent drop in 15 years in real dollars. So that is pretty significant.

And one of the reasons why NAFTA has been such a problem is because there has been a lot of manufacturing work, and the ag sector is not immune from this, there has been more ag production equipment in Mexico, as well. A lot of work has actually gone from the U.S. to Mexico and then selling the exact same cars and other products back in the United States. That is one big reason.

But another thing is that NAFTA has been used as leverage to undermine union contracts and organizing campaigns with a constant threat of: If you push too hard, we are going Mexico.

And why is that such a problem? Well, in Mexico there are very few independent unions and the labor rights are really atrocious. Most of the unions there are company unions where the workers have no say in the contract, the terms of the contract are often signed to the contract without even voting on it or seeing it. And wages there for auto workers and manufacturing workers in general are often \$2 to \$3 an hour, and they are totally insufficient to be able to buy the products that they make.

So looking forward, when it comes to USMCA or NAFTA 2.0 we think that there has been some progress, but work remains, especially in regards to labor rights, because we are concerned about while the labor chapter has some improvements from where we stand today, where there is no enforceable labor chapter, the enforcement mechanisms are not strong and they rely on this dispute resolution mechanism, which has been completely ineffective for protecting workers' rights. So it really hasn't created a level playing field.

So there needs to be strengthening of the enforcement of the USMCA, and we encourage the administration to get back to the negotiating table and to make it a stronger deal than it is right now.

As far as some other things to touch upon on trade, I am going to have a minority opinion here on a trade deal with Japan, because, while we certainly want the agricultural industry to prosper, we have, as you said, many members who work in building ag equipment and also suppliers for those main companies.

We don't think auto should be part of a trade deal with Japan, because Japan has the most closed auto market in the developed world, and we already have about a 100-to-1 ratio of imports to ex-

ports. In other words, 100 Japanese cars are imported here for every 1 car we sell there.

They have the most closed market in the developed world. It is not just U.S. companies, all companies have not penetrated Japan's market, and they do it without tariffs. We are worried that on the auto side we could actually make 100-to-1 could be worse if we don't do this trade deal right with Japan. So we would encourage cutting the auto sector out.

We also think that as far as the TPP is concerned the labor chapter there is very weak, and that agreement, if it goes forward as it is now, would be bad for workers and for our economy as a whole.

So to summarize, there doesn't have to be this idea where ag industry and manufacturing industry are seen as opponents in trade deals. The truth is that we want the ag sector to do well because it is important for our economy and country, but it is also important for the jobs and manufacturing that are important in Iowa, Illinois, and throughout the country.

Thank you for the opportunity. I look forward to answering your questions.

Chairwoman FINKENAUER. Thank you, Mr. Nassar.

And now I recognize Mr. Stoltzfus for 5 minutes.

Thank you.

#### **STATEMENT OF GLENN STOLTZFUS**

Mr. STOLTZFUS. Thank you, Chairwoman Finkenauer, Ranking Member Joyce, and members of the Subcommittee. Thank you for inviting me to speak today on the state of the dairy industry and the benefits of trade agreements such as the United States-Mexico-Canada Agreement.

My name is Glenn Stoltzfus, and I operate a 700-cow dairy in partnership with my three brothers in Berlin, Pennsylvania, Somerset County. My brothers and I also farm approximately 1,700 acres, growing corn, soybeans, alfalfa, and grass hay. We grow all of our forages and high-moisture corn and often sell excess corn and hay.

In addition to helping operate and manage our farm operation, I currently serve on the Pennsylvania Farm Bureau's Board of Directors, along with chairing the Farm Bureau's State Dairy Committee. I offer testimony today on behalf of the Pennsylvania Farm Bureau, an organization representing more than 62,000 farm and rural family members throughout Pennsylvania.

Dairy farmers are the largest segment of producers within the Pennsylvania Farm Bureau, and dairy is Pennsylvania's largest agricultural sector. In other words, it is the largest component of one of the State's largest industries.

However, across Pennsylvania and the Nation the dairy industry is in dire straits. Just last month, USDA reported approximately 2,700 dairy farms, a nearly 7 percent drop, ceased operation nationwide in 2018. Nationally, Pennsylvania suffered the second most closures, with 370 dairy farms lost, a drop just under 6 percent.

One of my neighbors was one of those farms, and I fear the downtrend will only continue. And unlike traditional businesses,

the prior business can't simply be replaced with a new sign or fresh paint. Instead, many of these farms will permanently be lost, and with it a way of life.

Delving further into the issue, a perfect storm of decreased consumer milk consumption, increased milk production nationwide, and a reversal of longstanding policies by governments to allow more domestic milk production have caused global oversupply of milk for a sustained period.

As to consumption, in 2016 USDA projected the per capital consumption of beverage milk at an all-time low of 154 pounds per person, with per capita consumption of milk products falling by 25 percent over the last 20 years.

In practical terms, all these factors have meant that the price American dairy farmers receive for milk has been lousy for a long time. And while input costs have remained level or even increased in some cases, in my case my price per hundred weight of milk peaked at \$26.80 in 2014 and went as low as \$13.90 last year. The price has since improved to \$17.30, but the future is uncertain and subject to numerous factors, including trade barriers.

Compounding the problems, net farm income, a broad measure of farm profitability, is down over 50 percent since 2013 and presently at one of the lowest points in the last two decades. Thus, even diversified dairy operations such as mine have not been able to fully rely on other commodities to dampen the dairy despairs. Further, unresolved aluminum and steel trade tariffs threaten the health of the national farm economy.

Nevertheless, despite all these problems, one material way that can help dairy farmers is to increase export market access. Given its quality and efficiency and decades of cultivating trade partners, the U.S. agriculture industry has been incredibly successful in utilizing trade to benefit farmers and our Nation as a whole, resulting in over 25 percent of all agricultural products being exported.

Approximately 16 percent of all U.S. milk production was exported last year. In fact, agriculture is one of the few industries that exports more product than it imports, accounting for a \$21 billion trade surplus.

Much of the Nation's agriculture trade success has arisen from relations with Mexico and Canada, where it has represented the top two agriculture trade partners for nearly every State in the Nation, including Pennsylvania.

Dairy is no different. Since 2015, Mexico and Canada have ranked first and third, respectively, in export markets for U.S. dairy products. As a result, trade agreements involving Mexico and Canada are critical to our Nation's agricultural industry, and the USMCA represents a chance to bring vital benefits to the industry, particularly dairy farmers.

While not a cure-all for the industry woes, if approved, USMCA will provide meaningful benefits for American dairy farmers. The agreement will increase dairy market access to Canada by 3.6 percent, a level even better than under the Trans-Pacific Partnership.

Some specific examples include an export increase of 50,000 metric tons of fluid milk by year 6 of the agreement, along with 12,500 metric tons of cheese, and 10,500 metric tons of cream over the same time period. In total, the agreement is expected to increase



dairy exports by 100,000 metric tons annually once fully implemented.

Additionally, within 6 months of the USMCA's implementation Canada has agreed to end its protectionist Class 7 pricing scheme that flooded the global market with subsidized skim milk and milk powder and lowered Canadian demand for U.S. ultra-filtered milk for cheese production.

In turn, many American dairy farmers will benefit from the pricing scheme elimination by being able to compete globally on equal terms.

USMCA also provides benefits beyond the dairy industry. Canada has agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing purposes. Poultry exports will increase by 10,000 metric tons over a 6-year period. Turkey exports can potentially increase by a thousand metric tons each year for 10 years. Eggs and egg-equivalent product exports will increase by approximately 16 percent over a 6-year period.

Finally, the USMCA includes provisions that enhance science-based trading standards as the foundation for sanitary and phytosanitary measures for agricultural products. The agreement is also the first of its kind to include provisions that address corporation information sharing and other trade rules related to biotechnology and gene editing.

As the administration was negotiating USMCA, many farm groups issued a simple message of do no harm. Since its passage, NAFTA has worked incredibly well and brought benefits to agriculture, increasing U.S. agriculture exports to Canada and Mexico by approximately \$30 billion. In our view, the administration has succeeded in doing no harm and done one better. Nearly all agricultural exports remain subject to zero tariffs, significant and historical strides for the dairy industry have been made with Canada, and other commodities, such as poultry and eggs, have gained increased Canadian market access.

Given these advancements, we urge Congress to finalize USMCA's passage. Beyond USMCA, the agreement provides a positive paradigm for future trade agreements, including potential noteworthy deals with Japan and the European Union, particularly given its emphasis on science-based sanitary standards and inclusion of biotechnology and gene editing.

On the other hand, if the USMCA's passage is substantially stalled or falls short the administration is unlikely to negotiate similar gains in future trade deals.

As mentioned, trade agreements in and of themselves are not a magic potion to fix all difficulties in the farm economy, but when meaningful long-term improvements are negotiated, such agreements can provide significant benefits to a farmer's livelihood and help keep farm operations afloat during downturns.

We believe USMCA is such an agreement. We believe USMCA will help American farmers, particularly dairy farmers. And we respectfully request Congress move forward on its passage.

Thank you again for allowing me the opportunity to share my story on behalf of Pennsylvania farmers.

Chairwoman FINKENAUER. Thank you, Mr. Stoltzfus. And we will begin with questioning, and I will begin by recognizing myself for 5 minutes.

I just again want to say thank you to every single person who came here today to testify. This is, quite frankly, heartbreaking right now with what is happening in the State of Iowa and also across the country after the last few years. And your testimony today is candid and brave, and I just truly thank you for all of your honesty and for being here today with us. So thank you, thank you.

Now, one of the questions I want to ask first is to Ms. Dostal, and it has to do with the fact, I know you have discussed a bit about financing, and I know this is something that a lot of our farmers, particularly in Iowa one are dealing with, whether, you know, it was last season and they are going in wanting to update equipment before a harvest season and finding issues with banks, and I know, you know, obviously that then has an impact on John Deere as well and our workers.

So one thing I wanted to kind of chat about is, you know, kind of highlighting some of these barriers you have been talking about in regards to financing, but is there anything that you think the USDA should be doing more of or that the Small Business Administration could be doing to supplement the USDA efforts to help ease the situation when it comes to financing and loans.

Ms. DOSTAL. So I think the biggest problems with like bankers or your private bankers is their hands are kind of tied as far as how much they can give out based on how much debt you already have. Going by what we had done, you know, we did everything that we had done in the past 10 years, and you just couldn't foresee that we were going to have prices drop that fast.

So, you know, I was allowed to refinance my note using things that I already own, which obviously means, yeah, you are not going to be able to go and upgrade equipment or change things that you maybe would have done. I am trying to increase my cattle heard, and, you know, you are kind of maxed out on the limit that you can get.

I don't know that the USDA probably can help, you know, as far as because you are already in that debt, so what they did with, you know, when they went ahead the USDA did give us, you know, a stipend for the soybeans that we were to help kind of get by, but, you know, you are still in the same boat this year. You know, we have got prices so low right now there is so many people now that are going to be planting corn just because bean prices are solo for futures.

So I don't know, you know, unless this trade war can end so that we can have the free trade and be able to be at an even playing field with Brazil and other countries that can sell that product to them, I don't know that it is going to make a difference by—you know, we don't want a handout. That is not what we are here for. We would just like the opportunity to have that free trade.

Chairwoman FINKENAUER. Yes. And Mr. Meirick, I know or Meirick we chatted a little bit about this yesterday, as well. Do you have any thoughts on the financing portion or anything that you would like to see in regards to some of the loans?

Mr. MEIRICK. Well, we are in a grain elevator business with my brothers, and we run into it daily. A couple years ago when prices are above breakevens everything goes pretty smooth, guys prepay their expenses, and at the end if there is an operating note they pay it off.

And the last 2 years especially since the tariff on soybeans has been devastating, but we have been below breakeven on almost all commodities, milk, corn, beans, hogs. So the bankers are nervous, and I am not sure if the USDA or Small Business Administration would have some type of a guaranteed loan program so that when the bankers are loaning money they would have a back stop so that just in case things don't improve for unforeseen circumstances maybe there would be a back stop through either small business or USDA.

So we have had guaranteed loans in the past, and I don't know the statistics, but maybe 98 percent get repaid, I am not sure, but a small portion maybe don't go the right way, but at least it would have a back stop for the local banks, yes.

Chairwoman FINKENAUER. Thank you.

And, Mr. Nassar, thank you so much again for being here today and bringing your very, very important perspective here that impacts my district, as well, in a very large way.

So one of the things I am kind of curious, about a couple things, but do you guys actually have numbers on how many of your farmers are—so how many of your union members are also farmers? And then, also, I am wondering if you can talk a little bit about about what you would like to see to make sure that American workers actually have a more prominent voice in the trade process and what changes you would like to see in regards to trade authority.

Mr. NASSAR. Sure. Thank you for the question. I don't have any stats as far as how many of our members also work as farmers. I know plenty of our members who do work as farmers, as well, and come from agricultural communities, so I know that, you know, it is very much part of their lives. Our union wants a prosperous agricultural sector.

As far as, what kind of policies are needed to strengthen middle class, I mean, there is a lot. We think one thing that has been a problem for us has been outsourcing has been companies going overseas and plants closing, and we think more policies could be done to stop that, such as claw backs could be done for corporations that, you know, take subsidies and then don't fulfill their promise, move overseas.

We think there are provisions in the tax law which don't make sense, which actually make it so it is easier to—you pay lower U.S. taxes on your profits overseas than you do domestically, and there are labor laws that are very weak as far as being able to enforce. They are largely toothless.

There is a lot that needs to be done. First of all when it comes to USMCA we have got to have a new labor chapters because what we have seen in manufacturing is wages have dropped not just for U.S. auto workers but for auto workers in all three countries since then. So that part really needs some work.

Chairwoman FINKENAUER. Thank you so much, and, unfortunately, I am out of time, but, again, we will do a second round of questioning here. And with that I will yield to Ranking Member, Dr. Joyce.

Mr. JOYCE. Thank you, Madam Chairwoman. My first question is for Mr. Stoltzfus. You had mentioned in your testimony some of the issues that plague the dairy farm and many other dairy farmers whom I have been in contact with throughout Somerset and actually through the entirety of Pennsylvania 13 have talked to me how the dairy industry has been affected by the decreased use of dairy products.

So some of the initiatives that I have been involved in is first of all to make recommendations that whole milk is returned to public schools. My concern, and what I hear from the dairy farmers is that we have lost a generation of milk drinkers by allowing skim milk to be substituted.

As a physician, as a parent I understand that the nutritional values of milk can be carried in the small amount of fat that is in milk that the vitamins A, D, E, and K are in that very small amount of fat that is in whole milk. That is needed for brain development, it is needed for muscle development. It is needed in the children in the public schools.

Can you address how initiatives like returning whole milk into our public school can potentially increase dairy use and actually dairy prices?

Mr. STOLTZFUS. Thank you. Yes, I have often said that I think we have—as you stated we have lost a generation of people who used to drink milk, whole milk. Fluid milk is the Class 1 milk that we receive the highest premium for and in the northeast part of this country we tend to sell a lot of our milk in that Class 1 that goes for fluid milk, and as that consumption drops we continue to lose that premium that is there for that Class 1 milk.

It is unfortunate what has happened in the schools and in cafeterias where we have tried to push this skim and 1 percent milk, and to be honest with you, it is not good, it doesn't taste good, and when you take away that flavor folks don't—you know, you create habits when you are very young and, as you age you tend not to change those habits, so in that way, yes, we have lost a generation of folks that used to drink fluid milk.

I think it is nature's most perfect beverage. Actually, I definitely agree with you, adding it—getting whole milk back into schools would be a tremendous advantage to us as dairy farmers.

Mr. JOYCE. I am going to follow up on that, Mr. Stoltzfus, with an additional question. The dairy industry has been hard hit with imitators in the dairy counter. So recently with a Member I crossed the aisle and we wrote a letter to Gottlieb, the FDA Secretary, addressing that in the dairy case that dairy products should be present, that imitators of dairy products that are sold under the label of being milk or dairy shouldn't be allowed. Do you think this has had impact on your industry, as well?

Mr. STOLTZFUS. Absolutely. Years ago you used to go to the beverage case in supermarkets, and a very large percentage of it was milk or milk products. Now we are in competition with all kinds of juices and other things, including the nut juice or what-

ever you want to call it that is being called milk that does not come from a lactating animal.

I believe that there is actually a law or a rule that in order to be labeled as "milk" it has to come from a lactating animal, and it just is one that has not been enforced, and we certainly would appreciate that being enforced, and I think it would make a—it would distinguish a difference between milk which comes from a lactating animal and those products or those drinks that do not.

Mr. JOYCE. Thank you for that clarification and thank you for reminding us what we were all taught in sixth grade science class, I appreciate that.

This question is for Ms. Dostal. Thank you for your input. Thank you for telling us how difficult it is on your farm. Do you feel that the Iowa Farm Bureau, which you mentioned, participates or encourages you to participate in promotion programs that would allow you to export your product, is that part of your background in agriculture?

Ms. DOSTAL. Yes, I have been on a market study tour where I went to Brazil through Iowa Farm Bureau. I am very big in beef industry, so it was very eye opening to see how Brazil raises their cattle down there, and we actually got to go to a packing plant and see everything, and they are a major competition in our exports. So the reason the farm bureau does the market State tours is to educate us as producers so that we know what we are up against in the export market.

So I think they really, you know, a lot of different times they go on trips throughout the year trying to educate consumers and producers on what is happening in other parts of the world, so that we know what we are up against when we are trying to produce our products and get them exported to those countries.

Mr. JOYCE. Thank you, and thank you for your hard work.

Madam Chairwoman, I yield.

Chairwoman FINKENAUER. Thank you very much.

And now I would like to recognize Congressman Jared Golden for 5 minutes.

Mr. GOLDEN. Thank you, Madam Chair.

Mr. Stoltzfus.

Mr. STOLTZFUS. Yes.

Mr. GOLDEN. All right thank you. Sorry, I want to make sure I got that right.

So I grew up in a town in Maine, Leeds, Maine where we had a lot of small dairy farming families, and there are still a few remaining, but a lot of them have moved on, sold their cows and kind of a process of consolidation of sorts going on up there, particularly starting in the nineties. And, you know, a lot of smaller operations in Maine. There is not a whole lot of surplus in the region, so we have, you know, essentially a situation where dairy is sent to Massachusetts for processing and returns to Maine for retail sale, and they do some value added stuff like yogurt and artisanal cheeses and other things mostly sold in the State or in the New England region.

Most of the farms are organic and a lot of them don't use bovine growth hormone, and I am just curious from your perspective it seems like under NAFTA we saw a more, you know, an increase

in export, but in some ways smaller family farms in places like Maine are struggling to survive and compete, and do you think, you know, there is a connection there or does that have more to do with things going on domestically.

And is NAFTA, the renegotiated NAFTA, USMCA going to help this scenario that I was just describing, and if not, what kinds of domestic policies might help reverse the fortunes of smaller dairy farmers in places like Maine?

Mr. STOLTZFUS. I am not sure that there is a relation like between NAFTA and the loss of small dairy farms. Pennsylvania has also seen that. It is unfortunate, I think, when you start to lose those small dairies in communities, you start to lose your infrastructure, you start to lose the equipment dealers and that sort of thing. Unfortunately, there is the economics of scale. I think there is a place for small farms and a lot of times it is like you said it is that niche market where whether it is organic or local grown or whatever it is.

In Pennsylvania we are seeing kind of a resurgence of those niche markets, not necessarily just dairy, but other produce stands and the resurgence of farm markets. You know, the farming industry is changing, and I don't know that that is a whole—a lot of that can be related to NAFTA or the USMCA deal that has been proposed.

Mr. GOLDEN. Thank you. I had a conversation last October, I think it was with a dairy farmer in Maine thinking that he would be pleased with the new trade deal, but in his case he didn't think that it would make much of a difference in the local market anyway, although it may be good for others around the country, but, you know, had he a deep skepticism.

I do want to agree with the Ranking Member Dr. Joyce talking about consumption and some of these things that we can do that might help out. I was talking to one of these former dairy farmers back home in Maine just this morning and you know what he said was there is some overproduction problems and not enough consumption, and what we need is more consumption. And they used to refer to skim milk when I was young as white water, but, you know, he essentially was saying that he educates his boys to put three liquids into their bodies, water, milk, and when they are of an appropriate age beer.

But part of the problem is, of course, that we are not consuming enough here locally, but a bit of a deep skepticism in Maine that opening up Canada to, you know their market may not be big enough in terms of their demand to really fix the problem for us, but I do appreciate your testimony today and your feedback.

You know, we were talking a little bit earlier about cotton actually, and my community Lewiston, Maine used to have textile mills, most of which are gone, in fact, almost all of them have left and, you know, so it is not a surprise to hear that cotton producers farmers are relying upon export and trade at this point because most of the processing in the United States, particularly in places up in New England seems to have left the country.

And I was just curious, you know, Mr. Nassar, it seems like that is a common problem and something that your organization talks a lot about in regards to trade where what we see is perhaps an

increase in exports, but the fleeing of the manufacturing and processing side of things, whether we be talking about textiles, about food or, you know, things like auto. I am just curious is there anything about the USMCA that you think is going to stop the loss of those jobs leaving the U.S. because I think we all agree that we would like to see, you know, U.S. products being processed in America and sold to, you know, American consumers. Keep the jobs here essentially.

Mr. NASSAR. Thank you for the question. You know, it is really difficult to project what would come from it because we haven't really seen any economic analysis, but I think what as far as, retaining jobs, relying just on trade alone in a deal just in USMCA is probably is insufficient. You also need to have surrounding policies, you need to have good tax policies, et cetera.

I think one thing though to point out is that when you lose a manufacturing plant it devastates a whole community, and it is not just the plant, it is all the suppliers. For example, in a car about 75 percent of a car is made in the parts sector. Also in the ag Imp sector there are a lot of parts. Plant closures really has a devastating impact, but I would just say we need more analysis we need more information to be able to make an educated prediction, but it is really going to be hard to happen without a stronger labor chapter.

Mr. GOLDEN. Thank you.

Chairwoman FINKENAUER. Thank you, Mr. Golden, and I will now represent—I will now recognize Representative—you are not too far away, just a little bit, a little bit north of Iowa there. I will recognize Representative Jim Hagedorn for 5 minutes.

Mr. HAGEDORN. Madam Chair, thank you. I appreciate the time. Ranking Member, it is good to be here. Thanks for the testimony, the witnesses' time.

I am sorry to be late, I was over in an agriculture subcommittee meeting talking with the Undersecretary of Agriculture about trade, so kind of along the lines of what we are getting at here.

You know, southern Minnesota, a lot of farmers, a lot of ag business and highly dependent on making sure that they have markets around the world for the products, and I tell people that there are kind of three aspects of what we want to do for our farmers. One is to knock down those barriers and another is to make sure we sustain farmers when times are tough like with the farm bill things like that, and then we also have to make sure we have good government.

You know, when I grew up on a grain and livestock farm near Truman, Minnesota, I used to go out and walk the beans. They don't really do that much anymore, but we would pull the weeds to make sure that the bean plant could get the proper nutrients, sunlight, and water so it could thrive we get the best yield possible. And we kind of have to do that here in Washington because there is a lost bad government. We need to pull the weeds of government, and I agree with what you said. Tax policy is important, regulatory policy, ObamaCare, which has been very tough on farmers, and energy policy, make sure we have downward pressure on that.

But a big part of what we are talking about here is making sure we knock down the barriers, we expand our trade so we have the markets, and so I would ask Mr. Stoltzfus? I am sorry.

Mr. STOLTZFUS. Close enough.

Mr. HAGEDORN. I apologize for butchering that. The USMCA, I support that. I hope the Speaker will bring that up at the proper time. You do see that as a positive development, right, especially in the areas of agriculture?

Mr. STOLTZFUS. Absolutely. I think it is stated in testimony, that you know, that most farm organizations when they went into the negotiations we said do no harm. In other words NAFTA was very good to agriculture, but I think they have done one better. I think if this gets ratified I think it will open up markets, particularly in the dairy industry where Canada has been extremely protective of their dairy industry up there.

When you go to Canada or you talk to a dairy producer and you start talking about dairy trade, the conversation ends right there. And if we can make any kind of stride there I think it will be a plus for dairy farmers.

Mr. HAGEDORN. Good deal. Mr. Meirick, I grew up on a hog farm, as well, and as a matter of fact Martin County right next to where I live they call it the bacon capital U.S.A., so a lot of pork production, I think second largest pork producing district in the whole country. And parts of, you know, what we need to do as a government our role of the Federal Government is to protect agriculture from imports that could disrupt our markets.

One of the things that is happening in China right now it is pretty devastating is this African swine flu, the virus, and we want to make sure we protect our farmers here by not allowing that in the country as best we can. What about the concept of a vaccine bank, do you think that should be fully funded? Do you think that would have a positive effect in the future should we have a problem?

Mr. MEIRICK. Well, sure. African swine fever is a huge issue. There is no vaccine, and there won't be any vaccine for at least 10 years, so we are a long ways out on that. There was some legislation on vaccine bank in this farm bill, and it will relate to foreign animal diseases, but not specifically to African swine fever, that is a long ways out.

But we will still need help from the government to protect the borders to keep stuff from coming in, and you have the African swine fever, and they do that at airports. They have the beagle patrols. There is various ways that they are going to help to try and keep that out because the only way we can avoid African swine fever is to keep it out of our country. Once it is here it is too late because, again, there is no vaccine for it.

And it is going to take years, there is plenty of people working on vaccines, and they might need some government help for helping to fund some of that research, but it will be a ways down the road, but if it does happen here our exports stop immediately. So if we export 25 percent of our hogs, which we do, the day we have African swine fever come here, our exports are shot. So that would be huge. It would devastate the hog industry in the United States. So we have to—number one, we have to keep it out from coming across our borders.



Mr. HAGEDORN. I agree with that. And some people don't kind of follow that if our hog production goes down our exports then also the corn and other things that, you know, feed the hogs, that is going to take a hit too, and our commodity prices along the way—farmers are going to have a lot of bad repercussions.

Mr. MEIRICK. Absolutely. Just a string of dominos. Exactly right. Yes.

Mr. HAGEDORN. A few years back we had something a little similar in the pork industry, the hog community and they thought that maybe a vaccine or something was far off, but it is remarkable how when people put their mind to it and we get the best scientists and others in the biotech communities working that they can find something, so hopefully there will be a breakthrough soon, but—

Mr. MEIRICK. I agree. They are putting a lot of resources into it. This is a really tricky virus. They haven't worked on anything quite like this. So some of the viruses in the past they have fairly short-term gotten a solution, but this one is a really tricky one, and—but you are right, they are putting their smartest people at it, so we are hoping for the best.

Mr. HAGEDORN. I appreciate that. I yield back. Thank you.

Chairwoman FINKENAUER. Thank you.

And now I am going to recognize members who would like to ask a second question for 5 minutes, as well, and I will start by recognizing myself.

Again, what you all are bringing up here today is so powerful and important that is heard in Washington. One of the things that keeps me up at night, and I am sure many of you as well, are the long-term effects of what has now become a very long drawn out trade war process. I still will never forget actually where I was when I saw President Trump's tweet about the steel and aluminum tariffs 5 days before a special election in Pennsylvania, Mr. Conor Lamb's, and then about a month and a half after that was when we all of a sudden saw the retaliatory tariffs come from China that directly hit my State and our agriculture industry in a very big way.

After that obviously then the discussions about the renegotiation of NAFTA. You have had again because of then the steel tariffs going on Canada, as well and in Mexico you then have the 20 percent tariff that Mexico throws on our pork industry, and here we are about a year and a half later and I am very concerned about the long-term impacts about what this has cost us and wanting to make sure that the deals we are getting are truly going to be worth everything that our State has gone through.

And I am concerned about that. I don't know if we are going to reach that, but I want to make sure again that we are doing everything to address these long-term effects that have been happening over the last again year and a half.

One of the things I want to touch on here is the impact of, you know, our next generation of farmers who have been watching this occur. Our workers who have been watching this occur, and what especially when you are looking at again, you know, the tariffs, the soybean tariffs from China, I mean, you have got China and Brazil creating new contracts, Brazil is deforesting as fast as they can to plant more soybeans, and that is just not going to go away.

So these are the things I am concerned about and also wondering if you guys could each speak a little bit, I know we are a little limited on time here, but about a minute each of what you are seeing as what will be the long-term effects here or things we might not even know until, you know, 5, 10 years down the road here.

Mr. Meirick, if you would like to start.

Mr. MEIRICK. Well, as farmers and producers we are used to risk. I mean, every day there is plenty of risk. What we don't need is extra unknown risk, unknown barriers that the tariffs presented like Rebecca said when you go to your banker, you make a plan, and all the sudden out of the blue here drops a tariff on top of your head.

So there is the known unknowns and then the unknown unknowns, so when something falls out of the sky like a tariff we have a hard time being able to process that. So what will happen is the smaller farmers, which we talked about before, the back bones of the community, they will just give up. They will get a job in town, they won't be able to get any more funding, and they will dry up and they will just be two farmers farm the whole county. Maybe in 100 years it is going to be that way anyway, I am not sure.

But in the short term for our communities we like to keep it a little closer to the way it is now. Does that make sense?

Chairwoman FINKENAUER. Absolutely. Thank you Mr. Meirick. Ms. Dostal?

Ms. DOSTAL. Yes, I would like to agree with Mr. Meirick. As a mother of three boys, I would not encourage my sons to come back to the farm, and that is sad because that is our rural communities. So I have a 16-year old boy that I said if you want to stay in agriculture go into drones, you know, into the agronomy side of it so that you can sell to the bigger producers because he is right, probably in, you know, the next 20 years you are going to have the two biggest producers farming in the whole county. And we are already seeing that because we just can't compete with the rent prices and the things that are going on with the prices the way they are.

So our biggest benefit is that we are diversified, and that is what I was always told, you know, don't always keep all the same eggs in one basket, so we can try to make up for it in other things. Right now cattle prices are good, but, you know, with Brazil producing more cattle, too, like you said, it is going to start hurting somewhere else.

So probably as far as a future of, you know, our farming community I think I was talking earlier, you know, our high school graduate 35 kids. That is a small school, and we have a lot of them in Iowa, but you see the urban sprawl, you see the bigger towns just getting bigger, and that is because people aren't farming, they are finding jobs in town. So I think this is really hurting them.

Chairwoman FINKENAUER. Thank you, Ms. Dostal. Mr. Nassar.

Mr. NASSAR. Yes, thanks for the question. I do want to say that I think there is a role for enforcement, and that at times, enforcement policies are needed when there is flooding of markets and such. I would say for that to be effective it has to be with many

other countries and that has been something that is missing from the current policies.

It is a little different for manufacturing, but we have seen a real loss in confidence in manufacturing, and it continues to this day. For example, you know, in spite of everything that is being done, General Motors announced that it is planning on closing four factories despite record profits. And we are seeing kind of a lack of confidence in manufacturing.

So that is partly related to the trade policies, and it is something that really has to get turned around quickly.

Chairwoman FINKENAUER. Thank you.

And Mr. Stoltzfus.

Mr. STOLTZFUS. Thank you for the question. I kind of think that, you know, for years we have complained in the ag industry that we haven't been able to play on a level playing field, and the policies of past administrations, I am going back 20, 30 years, really haven't been a whole lot different from one to the other when it comes to ag trade. This administration is trying something different, and yes, it hurts, and we have yet to see whether or not it is actually beneficial or not.

If in the end it comes out we can play on a more level playing field with the rest of the world we will be far ahead. I think here in America we have the ability to out produce anybody because of the innovation, the technology we have, and I tend to think right now although the prices are bad in just about every commodity, the future of ag is tremendous. The technology that is there and the things that kids can get involved in, people coming out of school that—it is different. It is not going to be the same way. It is changing, and we can't stop change. So we need to adapt to it.

I think the future of ag is bright, and I think it will continue to be that way.

Chairwoman FINKENAUER. Thank you, Mr. Stoltzfus.

And I now would like to—we just have Mr. Golden now, recognize Mr. Golden for 5 minutes.

Mr. GOLDEN. Thank you. I like this discussion that we are having about labeling and, you know, what we call our products, and I agree again with the Ranking Member when it came to the issue of, you know, what we call milk. I actually signed on that that letter as well. You know almond milk, not milk, but that is just my opinion, but anyway.

You know, Mr. Meirick I wanted to ask you a little bit about this new NAFTA deal, and, you know, some of the concerns that I have. I wasn't sure if you might agree, and, you know, if you were in charge for a day if you might have pushed for some additional changes that could be good for you, but back home where I come from people take a lot of pride in Maine made, American made, you know, products. They like to know what they are purchasing.

And given a choice between buying something from away or something that is here from the U.S. they will often side with the U.S. even if prices are a little bit higher and within reason of course, but I was surprised that the negotiators for this deal didn't try to restore the country of origin labeling.

And I know that is something that Canada and Mexico complained about to the World Trade Organization, but, you know, I

was hoping that this would be an opportunity to try in this new negotiation put on to the table and try to get them to drop their complaints. Would it be a benefit to the pork industry to be able to label your products as made in the U.S.A.?

Mr. MEIRICK. Well, just speaking for myself here I don't know the official position of NPPC. I don't represent them directly but, no, I would say I would say no. In our industry wherever it comes from it is all Federally inspected. It has gone through inspection process, so really where it comes from as long as it passes our inspection for the most part is good.

In the packing plants, and as a producer, if I was getting feeder pigs from Canada, which happens frequently, it creates a bottleneck then of is that an American hog. It was born in Canada, but it comes here at 20 days old, and I have them for the next 100 days, so is that a product of Canada or a product of the U.S.? So right away there is trouble.

You get to the packing plants where they are trying to be the most efficient. One load comes from Canada, one load comes from the U.S., one load is mixed. How do they handle that? Because they have to separate that. And every time you have to separate, that costs money. And then what the consumers want they wanted it all labeled but they didn't want to pay any extra.

Well, somebody has got to pay for that, so you know who pays for that? The producer. We get less money for our product because the plant has to go through the process of splitting up these loads and then get them in the right chutes and get the right label on it. That costs money. And the consumer is not going to pay, so I pay.

So in my position I don't like that idea at all. Does it make sense?

Mr. GOLDEN. It is thoughtful, and I appreciate your feedback.

Mr. MEIRICK. Thank you.

Mr. GOLDEN. You know, I think it is a difficulty for a smaller operations in places like Maine. I think about the lobster community, you know, where I talk to lobster men and women one of the top things they regret is that they don't have control over processing locally, you know, they hate to see it go to Canada, and at the end of the day they want, for instance, Maine lobster be labeled as such. They hate to see it go to Canada and then come back with that labeling that shows that it is a U.S. Maine lobster and not a Canadian one.

Mr. MEIRICK. Well, anyone, any packing plant can put whatever label they want. They could put if they want only U.S., they can put U.S. on there, but I don't think there should be a regulation. If you think that is an advantage, put it on there, and if you don't think it is an advantage don't put it on there. Just like organic or any other niche.

So that is the way I would like to put it.

Mr. GOLDEN. I appreciate the feedback, and, you know, I do want to look further into some of the things around import and export inspections in this trade deal and whether or not it is, in fact, going to make sure that we have got a safe product coming in. We talked about the bird flu aspect and how it could really, you know, damage your industry significantly.

And the last piece is just a buy American preferences continue to be waived under this new deal, which, you know, as subcommittee Chair on contracting and infrastructure for this Committee I think is regrettable. I would always prefer to see an American business get the American Government contract first.

Unfortunately, I think under this deal we were unable to get that in, and so, unfortunately, I think we will continue to see competition for buy American preferences and U.S. Government taxpayer, you know, American taxpayer you know contracts purchasing Mexican and Canadian goods for—from the American Government or selling it to the American Government, which is unfortunate. I wish we could have done something about that, and I am interested if you would benefit from such a policy.

Mr. MEIRICK. Well, it comes back to cost. At what—where do you draw the line? I mean, if I can buy something from Japan at \$10 would I pay \$20 for its American? Normally most of the—our county when they are buying a truck for the county they buy it the cheapest they can because that makes our county more—it is more feasible, and it lowers the cost to the county if they buy the cheapest one.

Now, that is talking about county. When you are talking about the globe there is chances of buying stuff from wherever. So I don't know the answer to it, and I would like to buy American too, and if I have a chance I would too, but at what cost? That is the question.

Mr. GOLDEN. I am out of time. I see that Mr. Nassar would like an opportunity. I leave it up to the Chairwoman.

I mean, I understand what you are saying, sir. My concern, of course, is at what cost is at the end of the day if we lose the jobs here in the United States then we don't have people with good work, but.

Mr. MEIRICK. But as a taxpayer in your county you want to keep the costs as low as they can. And in some cases you might be willing to pay a little bit more, but where do you draw the line? That is just the question.

Mr. GOLDEN. Right. Delicate balance.

Mr. Nassar.

Mr. NASSAR. Yes, thank you for the opportunity. I just want to say where we believe that U.S. workers are most productive and actually shows that it is, but we don't want to compete on an unlevel playing field, and what we are seeing it is not good when the price is a lot lower because workers are exploited, and that is what we see in Mexico, for example.

I just want to emphasize that workers there who want to join a union often face violence. This is not hyperbole, it is fact. In fact, the State Department just said as much in their report which is in my testimony. So, yes, level playing field, but at what point do we say that the price is more important than everything else?

So I think there is a balance to be had, and exploiting workers shouldn't be a competitive advantage.

Chairwoman FINKENAUER. Thank you, Mr. Golden.

And I also again want to take an opportunity to thank our witnesses here today, and I am very grateful for the discussion we were able to have. And, again, although we all, you know, come

from different backgrounds or different view points the fact that it was a thoughtful, respectful discussion is something that, you know I actually think happens more in D.C. than we think, but it is nice to actually showcase this, as well, that these are the types of discussions that should be even had even though they are tough ones, but that makes them all the more important. So thank you, thank you, thank you.

And I also have to say, you know, I am heartbroken hearing some of the testimony today. Ms. Dostal, I will never be able to forget you sitting here and having to tell me that you were, you know, encouraging your sons not to go into the, you know, to the farm, and that is tough to hear as I am, you know, I have got a nephew who is about to—he is the one—he is the son of my sister and the brother-in-law who are corn and soybean farmers, they have got about 500 acres. And I often times think about him, as well, and what does his future look like and what will they be telling him? So it hit very close to home.

And I know, you know, Mr. Stoltzfus, I know you mentioned economies of scale and how it is changing, but the reality is, I mean, our small family farms, they are the backbone of our not just our economy in Iowa but also our culture. It is our values. It is who we are. And I am committed to fighting like hell to make sure I am doing everything I can to preserve that way of life, as well as the way of life for our working families across the district, as well.

Mr. Nassar, speaking of our UAW workers and other folks in manufacturing, you know, wages are—have basically been stagnant in the State of Iowa for the last 10 years. It is tough, and it is tougher every day for working families to make it. And I truly believe for America to succeed, for Iowa to succeed, this is why it is so important to come together on these issues because we both do better when, you know, the other one is doing better. And so, again, grateful to start these real conversations that are tough.

And in regards to small businesses we know, you know, when we are creating new markets and new producers we create new jobs, and we also bolster our economy, which obviously, is just incredibly important across the board here in congressional districts all across our country, but if we are not taking the trade negotiations thoughtfully and carefully and with a plan that also can have negative impacts.

And so, again, I am just grateful we are having these discussions and starting them before we even get the USMCA delivered to Congress, which, you know, we should be expecting I am assuming some time, and it is important we continue to have these discussions, as I have said.

And so one of the things is while I just wanted to touch on that you guys all did for me quite well was again these long-term impacts. I am worried after just, you know, a week ago I had a young guy, he was 16, sort of in the same boat I am sure as your son who told me that he is not sure if he will be going into the family farm. He is one of four. He is the youngest. And he is going to school for engineering, which is also important, but he was really worried. He looked at me and he talked about his community, his—you know, the businesses in the rural area where he grew up, you know,

again, rural communities changing all across America after the last few years and worried about what that future looks like.

So just thank you for your perspective on all of this, and I also want to make sure that we are uplifting these stories to the administration and making sure that they are hearing what has been going on on the ground and making sure that what they are doing ends up worth it in the end, and I hope to God it is.

We have to take—we have to take this opportunity with pending deals to make it worthwhile and make improvements where they are needed. We need a strategy for trade that is fair to our workers and our domestic industries, ensures labor protections, and opens new markets for our farmers while leaning on our close allies for strength in the global marketplace.

I know this hearing helped inform many of my thoughts, as well as the folks that were in and out here today as well, and I am sure, you know, again, folks watching this and hopefully our fellow colleagues we can have conversations with regarding this testimony today will benefit.

I now again would just like to say thank you for the final time. Grateful for all of you. Please have all safe journeys back to Pennsylvania and Iowa, and I remain hopeful for the future, but we sure have a lot of work to do, and I am excited to have the opportunity to do it with all of you. Thank you.

And with that, I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before this Committee, we are adjourned.

Thank you again to our wonderful witnesses for taking time to be here.

[Whereupon, at 11:45 a.m., the Subcommittee was adjourned.]

**A P P E N D I X**



**Written Testimony Of  
National Pork Producers Council**

**On**

**The Small Business Trade Snapshot:  
Agriculture and Labor**

**United States House of Representatives  
Committee on Small Business  
Subcommittee on Rural Development, Agriculture,  
Trade, and Entrepreneurship**

**April 2, 2019**



**Introduction**

The National Pork Producers Council (NPPC) is a national association representing a federation of 42 state producer organizations. It represents the federal and global interests of 60,000 U.S. pork operations. The U.S. pork industry is a major value-added component of the agricultural economy, and a significant contributor to the overall U.S. economy. In 2018, pork producers marketed about 124 million hogs, and those animals provided total cash receipts of more than \$20 billion. Overall, an estimated \$23 billion of personal income and \$39 billion of gross national product are supported by U.S. pork.

Iowa State University economists Daniel Otto, Lee Schulz and Mark Imerman estimate that the U.S. pork industry is directly responsible for the creation of more than 37,000 full-time equivalent pork producing jobs and generates about 128,000 jobs in the rest of agriculture. It is responsible for approximately 102,000 jobs in the manufacturing sector, mostly in the packing industry, and 65,000 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry supports more than half a million American jobs, in mostly rural parts of our country.

Today, U.S. pork producers provide 26 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide. Exports are vital to the livelihoods of America's pork producers. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness.

Exports of pork add significantly to the bottom line of each pork producer and support approximately 110,000 jobs in the U.S. pork and allied industries. In 2018, U.S. pork exports totaled 5.3 billion pounds – valued at nearly \$6.4 billion. That represented over 25 percent of U.S. production, and those exports added more than \$51 to the value of each hog marketed with the average price received for a market hog in 2018 being \$141.

The biggest driver of increased exports over the past three decades has been free trade agreements, which importantly eliminate or significantly reduce tariff and non-tariff barriers to U.S. exports.

U.S. pork exports have risen over 1,500 percent in value and over 1,400 percent in volume since 1989 – the year the United States began using bilateral and regional trade agreements to open foreign markets.

Indeed, the importance of free trade agreements (FTAs) to the U.S. pork industry is underscored by the fact that it exports more pork to the 20 nations with which the United States has FTAs than to the rest of the world combined.

#### **Effects of Tariffs on U.S. Pork Producers**

Mostly because of free trade agreements, the United States is the leading global exporter of pork. As a result, U.S. pork is an attractive candidate for trade retaliation. America's pork producers – and many other farmers – are experiencing such reprisal now.

The U.S. pork industry has the dubious distinction of being on three retaliation lists: China and Mexico related to U.S. actions under Section 232 of the Trade Expansion Act of 1962 and China in response to U.S. tariffs imposed under Section 301 of the Trade Act of 1974.

China and Mexico are very important export markets for U.S. pork. China was the No. 3 volume market at more than 350,000 metric tons and a value market of over \$851 million in 2018. Mexico is U.S. pork's largest volume market and the No. 2 value market, taking almost 777,000 metric tons of pork worth more than \$1.3 billion last year.

China, which already had a 12 percent tariff on pork imports, one year ago today put an additional 25 percent duty on a host of American products, including pork, in response to the United States imposing tariffs on imports of steel and aluminum. Then a few weeks

later it levied another 25 percent tariff – bringing the total duty to 62 percent – in retaliation for U.S. tariffs on \$34 billion of Chinese goods because of its theft of U.S. intellectual property and for its forced technology transfers.

On June 5, 2018, Mexico, where the U.S. pork previously shipped product at a zero-tariff rate under the North American Free Trade Agreement (NAFTA), imposed a 10 percent duty on pork imports in response to the U.S. steel and aluminum import tariff. That retaliatory tariff increased to 20 percent one month later. According to Iowa State Economist, Dermot Hayes, the pork industry stands to lose the entire Mexican market if we continue to face the 20 percent punitive tariffs. According to Professor Hayes, Mexico's retaliatory tariffs have cost U.S. pork producers \$12 per animal, translating into industrywide losses of \$1.5 billion annually.

There never is a good time to have an export disruption, but the timing now is particularly bad. U.S. pork has been in expansion mode predicated on past profitability and because it expected exports to continue growing, with production projected to grow by over 4 percent in 2019. That expectation was well-founded.

As the world's most competitive producer of pork, the United States was anticipating increases in access to Japan and Vietnam under the Trans-Pacific Partnership (TPP) and, under existing U.S. free trade agreements, was counting on shipping more pork to Australia, Canada, Central America, Colombia, Mexico, Peru and South Korea.

Those export prospects also are what prompted construction of five new pork packing plants across rural America. In fact, U.S. pork producers marketed nearly 124 million hogs in 2018 up from 120.5 million in 2017. Unfortunately, restricted market access from ongoing trade disputes is making it increasingly difficult for U.S. pork producers to respond to uncertain export conditions. Investment decisions are made years in advance.

We are playing defense when we have enormous opportunity to go on offense with one of America's most competitive export products. Rather than undermining existing trade

agreements that are working so well for U.S. agriculture, we should be working to expand exports by opening new markets and improving access where it already exists.

For U.S. pork, export growth potential is enormous, particularly as people in developing nations add meat to their diet. This includes China.

U.S. pork alone can put a huge dent in the U.S. trade imbalance with China if it were to terminate its punitive tariffs on pork and numerous other barriers which restrict U.S. access.

#### **Opening Markets to U.S. Trade**

Pork producers are eager to see ratification of the US-Mexico-Canada (USMCA) trade agreement. We are very pleased that the USMCA preserves zero-tariff rate for pork in North America. Under the terms of our previous agreement with our North American trading partners, Mexico and Canada became our No. 1 and No. 4 export markets respectively. In fact, those two countries account for 40 percent of all U.S. pork exports.

The benefits of the USMCA are being diluted by U.S. metal tariffs, resulting in Mexico's retaliation against U.S. pork. These tariffs have opened the door to some of our largest competitors in Mexico, including pork from the European Union and Canada, which enjoy duty-free access. Professor Hayes of Iowa State looked at the possibility of U.S. pork finding alternative markets and concluded that, without the Mexican market, it would be left with a net loss of about 600,000 tons of pork, or five percent of total U.S. production. A loss in exports to Mexico of that magnitude would be cataclysmic for the U.S. pork industry and for all American agriculture. Please keep in mind that Canadian retaliation against U.S. pork remains a possibility as long as it faces the U.S. metal tariffs.

In addition to calling for a swift resolution of current trade dispute with Mexico and Canada, pork producers have been urging the Trump administration, since its inception, to begin negotiating new free trade agreements, particularly with countries in Asia, starting with Japan.

Japan is the No. 1 export market based on value for U.S. pork – for now. Last year it concluded a trade agreement with the European Union and is also part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP-11. Both trade deals have begun to erode U.S. market share in Japan, as pork from EU nations and other TPP countries enter at (eventually) much lower tariffs than U.S. pork.

A U.S. free trade agreement with Japan would restore U.S. pork's competitive position in a critical market, and this can't happen fast enough.

I do want to recognize positive development facilitated by the Trump administration. New markets for U.S. pork – Argentina and Paraguay – were opened last year and the administration continues to work with the pork industry to open other markets, such as Brazil, India and Thailand.

We have also urged the administration to include agriculture in future negotiations with the European Union. We are encouraged that the administration and the Congress have made it clear that agriculture needs to be included in the negotiations.

Trade is vital to the success of U.S. pork producers. But tariffs on U.S. pork exports to two of our top three markets, no clear timeline for new trade agreement negotiations with Japan and other key markets, uncertainty surrounding the ratification of USMCA and growing competition from other pork-producing nations have U.S. pig farmers like me more than a little worried.

The bottom line is that U.S. pork is shouldering a disproportionate share of trade retaliation against the United States, and producers need relief.

**Mark Meirick  
Protivin, IA**

**BRIEF SUMMARY**

Mark Meirick is a pork producer from Protivin, Iowa and is currently serving as the District 3 Director for the Iowa Pork Producers Association.

Mark and his brothers, Joel and Dennis, own and manage Farmers Mill, Inc., a grain, feed, seed and fertilizer center serving Northeast Iowa. Mark's father started the business as a small feed bagging facility in 1964 and the business has grown to a large commercial grain elevator serving three counties.

Mark has served on the Iowa Pork Producers board for seven years and is involved in the finance and public policy committees. Mark is also active in his community by serving on the Howard County Economic Development Fund and the Howard County Community Foundation committees. He is a member of the Holy Trinity Parish and active in the Turkey Valley Community School.

Mark is married to Wendy and they have three sons, one of which is involved in the business.

## Testimony of Rebecca Dostal

before the House Small Business Committee's Subcommittee on Rural Development,  
Agriculture, Trade, and Entrepreneurship

Hearing: *The Small Business Trade Snapshot: Agriculture and Workers*

April 2<sup>nd</sup> 2019

Ms. Chairwoman, Ranking Member Joyce, and Members of the Subcommittee, thank you for the opportunity to address you today. My name is Rebecca Dostal, I am a farmer from Tama County, Iowa. Our operation is around 700 acres just outside of Traer, Iowa where we raise three boys, corn, soybeans, Berkshire hogs, and cattle.

I am honored to have the opportunity to submit comments regarding trade and how it impacts agriculture, and rural America. Rural America and the rural way of life is something I am deeply passionate about. I am active in our community as a member and former President of the Tama County Farm Bureau, a 4H Leader, and I am actively involved in an ag women's group called Women, Land and Legacy. In addition to farming, I am also a substitute teacher for both the South Tama and North Tama School districts.

Agriculture and rural communities provide a lifestyle and value system that is very important to me and my family, and I believe that without international trade, that lifestyle is not sustainable. Our way of life deeply depends on foreign consumers and international markets. In order for us to operate in Tama County Iowa, we must be able to feed those living in Hong Kong, Mexico City, and Cairo, or our farm will not survive.

As I am sure you are all aware, agriculture is tremendously important to Iowa. We rank 1<sup>st</sup> in the nation in corn and hog production, and 2<sup>nd</sup> in soybean production. In our state, agriculture directly employs 330 thousand jobs, and in the last census of agriculture, total production agriculture and ag-related industries accounted for \$11 billion in output, or more than 33 percent of Iowa's total output.

Last year Iowa produced over 2.5 billion bushels of corn, and 698 million bushels of soybeans. That's a lot of grain. Ultimately, we need to find somewhere for that grain to go. On average, the US has exported 42% of our soybeans and 14% of our corn. Our top export countries have been Mexico, Japan, and South Korea for corn, and China, Mexico, and the Netherlands for our beans. Historically, we have relied on foreign markets to export our grain, and those foreign consumers have allowed agriculture, including farms like mine to grow. When 95% of the world's consumers are outside of our borders, you have to find ways to sell to them.

However, this year, that dynamic has not been as reliable. Since the retaliatory tariffs have hit, we have seen the price of beans drop below the price of production, hog exports have slowed, and any hopes of expanding our operation have evaporated. The tariffs have hit us back home in the heartland in a very real way that has had a ripple effect throughout our community.

Every year farmers go and meet with their bankers to set up a projected cash flow plan for the upcoming crop year. A typical farmer will use an operating note to borrow cash to pay for that

year's expenses. With seed, fertilizer, and equipment purchases often all coming at the same time, cash flow on the farm is difficult without these operating loans.

When we sat down with our banker and did our budget in January of 2018 we used the projected pricing models that everyone uses to determine what level of financing we needed. We are always cautious to make sure that we do not over borrow, and only borrow what we need. The problem is, no level of caution, and no pricing models, could predict a trade war.

When the tariffs hit, the price of beans crashed almost two dollars a bushel, and the price of corn dropped almost a dollar. An average acre in Iowa produces around 200 bushels of corn and 57 bushels of soybeans. So, on an average acre, the farmer lost almost \$200 an acre on corn, and \$114 an acre on soybeans. That deep of a drop often causes a farmer from having a profit, to losing money. Today, the price of soybeans is below the cost of production, and the price of corn is hovering around even cost.

Because the loss of revenue, at the end of the 2018 crop year we did not have enough money to pay back our operating loan. Ultimately, we had to refinance our operating loan using other equipment and possessions as collateral. Luckily, we are diversified, so we can make up our crop losses in other areas like cattle and hogs, but when it is that dramatic, it makes things difficult. It will stop us from purchasing equipment upgrades, expanding our herds, or acquiring more land.

Luckily, the trade aid payments that were made from USDA helped cover some of our losses, but not nearly all of it. Without the trade aid, we would not have been able to come close to covering operating costs. While we appreciate the assistance, we would much rather be paid a fair price by the market, rather than be paid restitution by the government for the trade war.

Going forward, with inputs staying high, prices staying low, and no end to the trade war with China in sight, things do not look great on my farm. This year I am subbing more than ever, to make up for our losses on the farm, but substitute teaching doesn't supplement my life, ultimately, we are small farmers, and that is what our livelihood depends on.

My ultimate worry is how this impacts Iowa, Tama County, and our Community of Traer. I see how it impacts our rural schools and our rural community. We are losing rural population; our towns are shrinking, and our community is slowly dying. If you are a small farmer like me, and you can't make a living in agriculture, you have no option but to leave. I strongly believe in the rural way of life, and with today's economics, sadly, it may not exist for much longer. We need trade to sustain our farmers, our towns, and our communities.

Luckily, there is an easy solution to our trade woes. Trade deals like TPP, USMCA, a trade agreement with the EU that includes agriculture, and a trade deal with China that is fair and predictable, would expand our markets, help American farmers, and sustain our rural communities. Protectionist trade policies do not help Americans, it only hurts us in the heartland.

With that I thank you for allowing me to speak today, I will happily take any questions you have.





INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

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April 2, 2019

**The Small Business Trade Snapshot: Agriculture and Workers  
Committee on Small Business Subcommittee on Rural Development, Agriculture,  
Trade, and Entrepreneurship  
Submitted by Josh Nassar  
UAW Legislative Director  
1757 N Street NW, Washington, D.C. 20036**

Madam Chair Finkenauer, Ranking Member Joyce, and members of the Small Business, Rural Development, Agriculture, Trade and Entrepreneurship subcommittee, thank you for the opportunity to share our views on trade policy and its impact on the economy and working people.

It is my honor to testify on behalf of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), President Gary Jones and our one million active and retired members. As researchers, engineers, and skilled trades and production workers in the automotive, aerospace, and agricultural and construction equipment industries, we welcome this hearing.

The importance of manufacturing in our agricultural sector is often overlooked. Agricultural equipment sales are directly linked to the health of the agriculture sector. When the agriculture market is down, it is also down for agriculture equipment. We have close 18,000 members in the Agriculture implement sector with a heavy concentration in Illinois and Iowa (Region 4). Our members manufacture combines, tractors, and products needed by our emerging biofuel industry. We represent over 7,000 members at Caterpillar and approximately 9,500 at John Deere. These jobs help build a stronger local economy and create a strong middle class. Furthermore, many small businesses work as suppliers for larger companies.

The UAW footprint in agriculture equipment is prominent in rural communities and small towns across the United States.

Below is a brief snapshot of UAW in the agriculture equipment sector:

- Energy has been in business for 75 years in Monticello, IA which has a population 3,871. At Energy, UAW local 1613 workers build cylinders for John Deere, Case, Bobcat. 70 workers are employed at the company.
- UAW Local 120 represents over 250 members work at Donaldson Company in Cresco, IA. Cresco has less than 4000 residents. They manufacture filters which are used to protect a customer's farm tractor engine and make products to solve customers' filtration challenges.

These jobs enable workers to provide for their families and contribute to a healthy, local economy. In developing trade policies, we should not put high-skilled and specialized agricultural manufacturing jobs at risk. If these jobs are lost workers may be forced to retire or relocate to try to find new jobs, many of which pay lower wages. Trade policies have a profound impact on workers, manufacturing, and the agriculture sector.

The UAW supports industrial policies that strengthen the middle class, create good paying jobs providing benefits and retirement security in the United States and reduce income inequality both here and abroad. When it comes to trade policy, our overarching goals is to create good paying U.S. jobs now and in the future.

#### **Comprehensive Industrial Policy**

Any effort to reset America's trade policy must also be accompanied by a strong industrial policy focused on education, workforce training, research and development, support for advanced manufacturing and technologies, building a 21st century infrastructure, balancing environmental and energy policy, and creating penalties for companies that turn their back on American workers. A properly crafted industrial policy will create new industries, as well as re-shore old ones.

We need Congress to advance equitable tax policies that uplift working families and not reward billionaire CEO's with massive tax breaks while incentivizing businesses to outsource jobs overseas. A comprehensive approach will improve living standards, reduce poverty, help our environmental impact, and vastly improve American's quality of life. It has been demonstrated time and time again that a vibrant middle class is needed in order to have a strong economy and democracy.

The fact is, extensive damage has already been done and workers are paying the price for policy failures and neglect by our elected leaders. What can be done to build an economy that works for all?

Major players in the Agriculture Implement industry have expanded operations in Mexico while reducing employment in the United States in recent decades. Since 2000, the U.S. has lost over 3 million manufacturing production jobs – with trade playing a significant role.

The average factory worker makes less than the median wage for all occupations. Real wages in manufacturing fell between 2003 and 2013 at a faster rate for workers overall<sup>1</sup>. One fourth of manufacturing jobs make less than \$13.07 per hour<sup>2</sup>.

### **Trade**

Corporate driven trade agreements that pit workers against one another have played a big role in eroding the middle class. The North American Free Trade Agreement (NAFTA) or USMCA is a significant culprit. Since its passage 25 years ago, U.S. trade deficits with Mexico has cost hundreds of thousands of manufacturing jobs. We appreciate that international trade is an important aspect of global supply chains in the automotive and other manufacturing sectors and that not all imports directly result in the loss of U.S. jobs.

Still, trade deficits of the magnitude we have today led to the displacement of U.S. production and corresponding jobs losses. Under NAFTA, there is no place that outsourcing is a bigger problem than in the auto industry. The U.S. automotive and auto parts trade deficit with Mexico has surpassed \$45 billion annually.

While overall trade volume and corporate profits are up, wages in all three countries have remained relatively stagnant<sup>3</sup>. Workers are all too often not compensated fairly for their work<sup>4</sup>. The fundamental right to collectively bargain is under constant attack, resulting in union density falling across North America while economic inequality has grown<sup>5</sup>.

NAFTA renegotiations will only be successful if they lead to higher wages in all three countries, reverse our crippling trade deficit with Mexico, and create new manufacturing jobs in the United States.

### **NAFTA's Impact on Auto Industry**

The impact of NAFTA on the entire supply chain must be looked at. It is a mistake to look solely at final assembly. More assembly plants mean more first-tier parts, then more second-tier parts, and on and on. It is a vicious cycle for UAW members whose jobs have moved to Mexico.

Over the first eleven years of NAFTA (1994-2005), there were new production facilities in both the U.S. and Mexico. This was primarily due to foreign-based auto manufacturers adding production capacity in the region. However, in the subsequent eleven years (2005-2016), a different trend emerged. Production capacity was

<sup>1</sup> <https://www.nelp.org/wp-content/uploads/2015/03/Manufacturing-Low-Pay-Declining-Wages-Jobs-Built-Middle-Class.pdf>

<sup>2</sup> <https://www.bls.gov/iag/tgs/iagauto.htm>

<sup>3</sup> See, e.g., Robert E. Scott, Jeff Faux and Carlos Salas, "Revisiting NAFTA: Still Not Working For North America's Workers," Economic Policy Institute, 2007.

<sup>4</sup> *Id.*

<sup>5</sup> Heather Long, "U.S. Inequality Keeps Getting Uglier," CNN Money, Dec. 22, 2016. Available at: <http://money.cnn.com/2016/12/22/news/economy/us-inequality-worse/index.html>.

eliminated in the U.S. and Canada and added in Mexico. In many cases work was moved from the U.S. to Mexico. Between 1993 and 2014, Mexico's share of NAFTA production increased from 8% to 19%<sup>6</sup>.

<b>Light Vehicle Final Assembly Plants in NAFTA 1994-2016</b>				
	<b>1994</b>	<b>2005</b>	<b>2016</b>	<b>Change 1994-2016</b>
<b>Canada</b>	14	13	10	-4
<b>Mexico</b>	9	11	17	+8
<b>United States</b>	59	62	49	-10
<b>NAFTA</b>	82	86	76	-6

*Source: Ward's Automotive*

<b>Share of NAFTA Production</b>		
<b>Country</b>	<b>1993</b>	<b>2016</b>
<b>Canada</b>	15%	13%
<b>Mexico</b>	8%	19%
<b>U.S.</b>	77%	67%

Auto companies are making new major investments in Mexico. The facts are:

- Every major OEM and supplier have operations in Mexico.
- Mexico produced 4 million vehicles in 2018 and bought just 1.4 million. The remaining exported, mostly to the U.S.
- There are 800,000 autoworkers in Mexico, over 90% of them are in parts.

In 1993, the U.S. had a very small auto parts (NAICS 3363/HS 8708) trade deficit with Mexico of \$1 billion. By 2016, it was 20 times larger at \$23.8 billion. As the trade deficit increased, wages declined. Adjusted for inflation, auto parts production workers' average hourly wages declined by 23 percent in the past decade. Between 2000 and 2014 alone, employment in U.S. parts suppliers declined 36 percent<sup>7</sup>. While many factors, including changes in technology and attacks on workers' rights to collectively bargain, have also contributed to the decline, NAFTA played a big role in creating the enormous trade deficits we face in this sector today.

In 2016, the U.S.' automotive (NAICS 33611/HS 8702) trade deficits within NAFTA were:

<sup>6</sup> Ward's Automotive.

<sup>7</sup> William A. Galston, "How the vise on U.S. wages tightened," The Wall Street Journal, March 31 2015.

Country	2016 Automotive (NAICS 3361) Trade Deficit	Change 1993- 2016
Canada	\$20.6 billion	+11.4%
Mexico	\$45.1 billion	+1288%
Source: The North American Free Trade Agreement, CRS, May 24, 2017		

The U.S. has an auto parts (NAICS 3363) surplus with Canada but a large deficit with Mexico.

Country	2016 Auto Part (NAICS 3363) Trade Deficit	Change 2006- 2016
Canada	-\$12.4 billion (surplus)	57% (Larger surplus)
Mexico	\$23.8 billion	23700%
Source: The North American Free Trade Agreement, CRS, May 24, 2017		

Another disturbing trend is the change in the mix of parts the U.S. is importing. The U.S. has growing deficits in high value auto parts like engines, transmissions, seating, steering, and suspensions. These components employ tens of thousands of American workers at high pay.

NAFTA, like other flawed trade deals, has had a lasting impact. Poor labor standards in Mexico have a real economic impact on the U.S. as companies relocate to take advantage of workers who lack basic rights and are underpaid. Workers in Mexico are often put in harm's way for exercising their most basic rights. Auto workers in Mexico often make less than \$3 dollars an hour despite booming profits and record growth for the industry. Mexico needs to fix its labor laws, so workers can bargain for a better standard of living.

Mexico has made false promises in the past, it is important that they make and implement real changes so workers can join real unions. Repressive policies and “protection” unions – the Mexican equivalent of a company union – keep workers from organizing in a meaningful way, maintaining wages and working conditions at their lowest levels. When workers try to form their own independent unions, they are met with repression and even violence. Recently, PKC interfered with Mexican workers’ right to freedom of association at a wire harness production plant in Ciudad Acuna, Mexico Mexican workers. Workers have been attempting to form a union for more than decade, but their attempts have been met with employer interference including worker intimidation and firings.

NAFTA hurts manufacturing workers directly and indirectly. Workers often face both direct and implied threats if they attempt to form a union. In many cases, employers will openly threaten to close their plant and move to Mexico when workers fight for job security, better wages, health and safety improvements and retirement security. Veiled threats force workers to accept lower wages for fear that the company will ship their jobs abroad. If the revised NAFTA is to truly curtail outsourcing, Mexico’s labor laws and practices will need to be fundamentally changed for the long haul.

The U.S. State Department’s Mexico 2018 Human Rights Report concludes that the government did not consistently protect workers’ rights in practice. Its general failure to enforce labor and other laws left workers without much recourse regarding violations of freedom of association, working conditions, or other problems<sup>8</sup>. Despite this realization, NAFTA does not provide any adequate way to address these abuses. Mexico has been undertaking labor reforms and it is too early to tell if they will have a real impact in improving workers lives. Labor reforms that looked promising in the past failed to deliver the changes workers need. We hope history will not repeat itself but would be naïve to assume they will succeed in making real changes. Meaningful standards with strong enforcement mechanisms must be put in place.

Labor standards are important not just from a human rights perspective but also from an economic one. Poor labor standards in Mexico has only heightened the offshoring of U.S. manufacturing jobs. Poor labor standards in Mexico have a real economic impact on the United States as companies relocate to take advantage of workers who lack basic rights and are underpaid.

Trade rules are only as good as their enforcement. Enforcement tools must be expanded and used promptly.

To comply with the ILO Declaration on Fundamental Principles and Rights at Work and ILO Convention 182, Mexico, at a minimum must:

- Require independent, democratic unions
- Require workers to vote on all contracts and union leadership

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<sup>8</sup> U.S. State Department. Bureau of Human Rights and Democracy. Country Reports on Human Rights Practices for 2018.

- Require unions to provide copies of contracts to workers
- Require that unions have a duty to represent their members

Beyond allowing labor violations to be settled using the same dispute settlement system, considering the decades long suppression of labor rights in Mexico, labor violations should be subject to special punitive duties. Additionally, labor unions in all three countries should have standing authority to bring charges of labor abuses – regardless of whether the union represents the workers.

In conclusion, we must create a new trade model that puts workers in the driver's seat, not corporations seeking to outsource to maximize profits. We need to get back to the negotiating table.

#### **Auto Trade with China**

China tilts the playing field by propping up domestic companies and state-owned enterprises through direct subsidies, and suppressing workers' rights, it uses unfair market access processes and policies to force technology transfers from foreign firms. Together these actions have caused a dramatic loss of U.S. manufacturing jobs, suppressed American wages, and potentially stifled innovation. For American workers, this trend is untenable.

Since 2002, the U.S.'s trade imbalance with China has increased \$316 billion, or 307%. Between 2001 and 2015, it is estimated 3.4 million American workers lost their jobs to unfair trade with China. While the U.S. has an automotive trade surplus with China, an auto parts trade deficit has exploded. In 2002, the U.S.'s auto parts trade deficit with China was \$972 million, since then it has grown nearly thirteenfold to \$12.4 billion. Automakers from here and abroad have placed big bets on China by making enormous investments. We are concerned that an increasing share of vehicles and technologies of the future will be made in China instead of the United States.

#### **Auto Trade with Japan**

Decades of well-intentioned efforts by US trade negotiators from Republican and Democratic administrations to open the Japanese auto market to foreign competition have been an unambiguous failure. While Japan is the third largest auto market in the world, it only imported 351,000 vehicles in 2017, or 6.7% of its 5.2 million sales. In contrast, the US imported 8.6 million vehicles in 2017, accounting for 49.2% of sales.

In 2017, the US had a \$68.9 billion trade deficit with Japan, with nearly 75% of that deficit coming from motor vehicles and parts. Last year, Japan had a \$39.8 billion trade surplus in motor vehicles, and \$11.5 billion surplus in auto parts. Over the past fifteen years, Japan's motor vehicle and parts trade imbalance has only worsened, with the motor vehicle imbalance growing \$4.8 billion (14%) since 2002, and the auto parts imbalance growing \$2.2 billion (24%). It has been estimated that the US-Japan trade imbalance has eliminated nearly 900,000 US jobs.

What makes the prospect of a more balanced playing field so unlikely, is that Japan's automotive tariff *is already zero percent*. To insulate its domestic automotive manufacturers, Japan instead uses non-tariff barriers (NTBs). These barriers include: currency manipulation; a discriminatory system of taxes; onerous and costly vehicle certification procedures for imported automobiles; a complex and changing set of safety, noise, and pollution standards, many which do not conform to international standards and add significant development and production costs; an unwillingness by Japanese dealerships to carry foreign automobiles; and government incentives to purchase Japanese-made kei cars. NTBs to foreign autos in the Japanese market have been inherently structural, ever-changing, and impervious to American negotiating efforts. These barriers have created an uneven playing field, so much so that for every car the US exported to Japan in 2017, Japan sent 100 back.

Negotiations between the United States and Japan on a bi-lateral trade agreement is alarming given Japan maintains the most closed auto market in the developed world. We urge the Administration to proceed with caution. We are deeply concerned that a trade deal with Japan could ultimately further widen our enormous auto trade deficit and hurt our domestic auto industry. Regarding Japan, it is critical to guard against non-tariff barriers, like currency manipulation, that has cost millions of U.S. jobs. Modern agreements must take this pervasive non-tariff barrier on directly.

#### **Auto 232**

The U.S. is in a race with other advanced countries to develop the automobiles and technologies of the future. We recognize that trade enforcement actions alone will not get the job done. While Germany and other industrial countries have developed policies that are investing in its citizenry and infrastructure, the U.S. has instead taken a low-road approach. American companies may develop new products, but they have increasingly outsourced manufacturing to low-cost countries. As noted above, with job losses and decreases in wages, this has hollowed out much of middle America. Maintaining the status quo is not an option.

Special attention must be paid to key components that are important for the U.S. to remain relevant in vehicle parts manufacturing. We urge the Trump Administration to be ambitious and creative in using the many tools at its disposal to ensure more auto parts and vehicles are built in the United States.

Safeguards should be put in place to ensure domestic production of specific strategic parts. Technologies that have been developed primarily thanks to American R&D (for example, autonomous vehicles) and regulatory requirements (emissions and fuel efficiency standards) should be manufactured in the U.S. Protecting strategic parts will help ensure U.S. manufacturers will remain industry leaders, and that all American workers will share in that prosperity.

Tariffs can be an effective when appropriately targeted to specific trade practices and are a part of a comprehensive strategic plan to address unfair trade actions. However, tariffs alone are insufficient to boost U.S. jobs and strengthen our industrial base. The



UAW believes that tariffs are a tool, not a comprehensive plan for ensuring industries of the future are created and built in the U.S.

It would be shortsighted to categorically rule out using tariff and other enforcement mechanisms to level the playing field. We shouldn't compete with one arm tied behind our back. For this very reason, we believe the Administration should not abandon their auto 232 investigation. We hope the Administration will ultimately take a measured and targeted approach to bolster domestic manufacturing.

#### **Tax Policies Encourage Offshoring**

Signed into law in December 2017, the Tax Cuts and Jobs Act (TCJA) encourages the outsourcing of U.S. manufacturing jobs. Because of this law, multinational corporations pay at most only half that rate on their offshore profits as they do on their earnings here at home, creating an incentive to ship jobs overseas.

For example, a company with \$100 million worth of tangible offshore assets pays no U.S. taxes on the first \$10 million of foreign profits they report. Many companies end up paying no U.S. taxes on foreign earned profits. The tax law created a new, unique incentive for U.S. corporations to move real investments offshore, along with the manufacturing jobs that go with them. These incentives will become greater over time if they remain in place.

We urge Congress to act quickly to end the perverse incentives by passing The No Tax Breaks for Outsourcing Act of 2019 (H.R. 1711) sponsored by Rep. Doggett. This legislation would help stem the tide of offshoring jobs by setting a minimum tax on the foreign profits of multinationals equal to the statutory corporate tax rate on domestic profits and apply that rate to a similar base. H.R. 1711 eliminates incentives passed by the Tax Cuts and Jobs Act (TCJA) which encourage companies to outsource U.S. manufacturing jobs.

The more investments offshored, the less in taxes they pay. In 2018, corporate tax receipts fell by over 30% in 2018. Big companies by and large pocketed tax breaks and many broke promises to give workers raises. Instead, companies are often taking billions in windfall and putting it toward dividends or buying back their own stocks, which greatly benefits CEO's and wealthiest shareholders. According to Americans for Tax Fairness, corporations are spending 130 times as much on stock buybacks as they are spending on workers' bonuses and wages. Authorizations for stock buybacks, which overwhelmingly benefit the wealthy, have increased by \$923 billion since the tax law was passed, while workers are getting \$7.1 billion in one-time bonuses and wage increases.<sup>9</sup>

TCJA is adding to our national deficit. The Congressional Budget Office estimated that the law would increase the federal debt by \$1.889 trillion from 2018-2027, about \$433 billion more than the Joint Committee on Taxation projected last December. Predictably,

<sup>9</sup> <https://americansfortaxfairness.org/key-facts-american-corporations-really-trump-tax-cuts/>

many elected leaders have called for cutting hundreds of billion in Medicare and other essential programs in the name of deficit reduction. Working people could be forced to pay for TCJA in numerous ways.

Incentives to offshore and ballooning deficits are far from the only problem created by the current law. GM is a recent example of how the tax law is failing to live up to its promise. In November 2018, GM announced it would close four U.S. auto manufacturing plants. GM justified the cuts by citing long term savings, the cuts would free up \$6 billion in cash for a nets savings of \$4.5 billion in cash by 2020. Meanwhile, they made a net profit of \$10 billion in 2018 alone and have returned \$25 billion to their shareholders through dividends and repurchases in recent years<sup>10</sup>.

Congress must hold corporations responsible. Assuming they will keep their promises to invest in the United States is foolhardy at best. We urge this Committee to look at claw back provisions and other mechanisms to curb the pervasive practice of pocketing tax breaks and turning their back on U.S. workers.

#### **Weak U.S. Labor Law**

As discussed earlier, real wages have stagnated for auto workers in recent decades. This is happening for a number of reasons.

Employers routinely hire union busting consultants and hold captive audience meetings to intimidate workers. Employers face little consequence for refusing to negotiate contracts or delay union elections. U.S. workers continue to face barriers when trying to form a union.

The increased use of temporary employees is an important factor. The number of workers in temporary or contract positions are on the rise in various industries including automotive. Perma-temps, the use of temps for extended periods of time with no path to full-time employment is becoming all too common in the auto industry- contract work is shifting from administrative jobs to blue collar occupations. Jobs in transportation and material moving and production now account for 42 percent of the temp industry. Furthermore, perma-temps earn 22 percent less than private sector workers and work with little to no benefits<sup>11</sup>. The median worker in the staffing industry earns \$12.40 an hour, compared to an hourly wage of \$15.84 by all private sector workers, regardless of industry<sup>12</sup>. The growing use of temp work drives down wages, benefits and job security in the auto industry and undermines good, middle class jobs. Congress must stop ignoring the loss of good full-time jobs.

<sup>10</sup> Barra, Mary. Deutsche Bank Global Auto Industry Conference. January 16, 2018.  
<https://investor.gm.com/static-files/d5c42255-3f96-4121-ad78-7476ae9db9d6>

<sup>11</sup> Smith, Rebecca and McKenna, Claire. "Temped Out: How Domestic Outsourcing of Blue Collar Jobs Harms America's Workers," National Employment Law Project, September 2, 2014.

<sup>12</sup> U.S. State Department. Bureau of Human Rights and Democracy. Country Reports on Human Rights Practices for 2018.

The right to collectively bargain strengthens the economic security of workers. On average, a worker covered by a union contract earns 13.2 percent more in wages than a peer with similar education, occupation, and experience in a nonunionized workplace in the same sector<sup>13</sup>. Unionized workers are more likely to have health care benefits, access to paid leave, employer provided pension plans and safer working conditions compared to their non-union counterparts. Strengthening our labor laws and increasing penalties against employers who do not recognize workers' legal right to have a voice on the job will strengthen the middle class and reduce income inequality. Congress and the Administration need to fight for workers by strengthening our labor laws.

#### **Supporting Domestic Production of Future Vehicles**

Most of the production footprint of tomorrow's advance automotive technology is overseas. Today, the U.S. only produces 13 percent of the world's semiconductors. By 2021, the U.S. will produce only 14 percent of the world's lithium-ion batteries unless significant steps are taken. Lithium-ion batteries are the most valuable component in electric vehicles (EVs). With the growth of demand from EVs, global lithium-ion battery production capacity is expected to grow by 73 percent between 2017 and 2021<sup>xv</sup> and lithium-ion batteries could become a \$40 billion market by 2025. This has sparked a race to develop the production capacity to meet growing battery demand and it is this race that will determine the geography of much of the EV value chain.

#### **Conclusion**

We cannot repeat the mistakes of the past. NAFTA and broken trade deals have had long lasting and deep impacts for workers, communities, small businesses, and our trade partners. We need a new trade model that is worker centric and values people over investor profits and discourages companies from outsourcing good paying jobs abroad.

We, as a country, need to take a more holistic approach to trade and labor policy. It is a mistake to look at trade in isolation. We need to make a strong commitment to a comprehensive, sustainable strategy to create and maintain good manufacturing jobs in the United States.

Thank you for the opportunity to share our views. I look forward to answering your questions.

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<sup>13</sup> <https://www.epi.org/press/todays-labor-unions-give-workers-the-power-to-improve-their-jobs-and-unrig-the-economy/>



## Statement of the Pennsylvania Farm Bureau

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**TO THE  
HOUSE COMMITTEE ON SMALL BUSINESS  
SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE,  
TRADE, AND ENTREPRENEURSHIP  
REGARDING: SMALL BUSINESS TRADE SNAPSHOT: AGRICULTURE  
AND THE DAIRY INDUSTRY**

**April 2, 2019**

Presented by Glenn Stoltzfus  
Board Director, Pennsylvania Farm Bureau

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Chairwoman Finkenauer, Ranking Member Joyce, and Members of the Subcommittee:

Thank you for inviting me to speak today on the state of the dairy industry and the benefits of trade agreements such as the United States Mexico Canada Agreement (USMCA).

My name is Glenn Stoltzfus, and I operate a 700-cow dairy in partnership with my three brothers, in Berlin, Pennsylvania, Somerset County. My brothers and I also farm approximately 1,700 acres, growing corn, soybeans, alfalfa and grass hay. We grow all our forages and high-moisture corn, and often sell our excess corn and hay.

In addition to helping operate and manage my farm operation, I currently serve on Pennsylvania Farm Bureau's Board of Directors, along with chairing Farm Bureau's State Dairy Committee.

I offer today's testimony on behalf of Pennsylvania Farm Bureau, an organization representing more than 62,000 farm and rural family members throughout Pennsylvania. Dairy farmers are the largest segment of producers within Pennsylvania Farm Bureau, and dairy is Pennsylvania's largest agricultural sector; in other words, it's the largest component of one of the state's largest industries. However, across Pennsylvania and the nation, the dairy industry is in dire straits.

Just last month, USDA reported approximately 2,700 dairy farms, a nearly 7 percent drop, ceased operations nationwide in 2018. Nationally, Pennsylvania suffered the second most closures with 370 dairy farms lost, a drop of just under 6 percent. One of my neighbors was one of those farms, and I fear the downward trend will only continue. And unlike traditional business closures, the prior business can't simply be replaced with a new sign and fresh paint. Instead, many of these farms will be permanently lost, and with it, a way of life.

Delving further into the issue, a perfect storm of decreasing consumer milk consumption, increased milk production worldwide, and a reversal of longstanding policies by

governments to allow more domestic milk production have caused a global oversupply of milk for a sustained period. As to consumption, in 2016, USDA projected the per capita consumption of beverage milk at an all-time low of 154 pounds per person, with per capita consumption of milk products falling by 25 percent over the last twenty years. In practical terms, all these factors have meant the price American dairy farmers receive for milk has been lousy for a long time—all while input costs have remained level or even increased in some cases. In my case, my price per hundredweight of milk peaked at \$26.80 in 2014 and went to as low as \$13.90 just last year. The price has since improved to \$17.30, but the future is uncertain and subject to numerous factors including trade barriers.

Compounding the problem, net farm income, a broad measure of farm profitability, is down over 50 percent since 2013, and presently at one of the lowest points in the past two decades. Thus, even diversified dairy operations such as mine have not been able to fully rely on other commodities to dampen the dairy despairs. Further, unresolved aluminum and steel tariffs threaten the health of the national farm economy. Nonetheless, despite all these problems, one material way that can help dairy farmers is to increase export market access.

Given its quality, efficiency, and decades of cultivating trade partners, the U.S. agriculture industry has been incredibly successful in utilizing trade to benefit farmers and our nation as a whole, resulting in over 25 percent of all agricultural products being exported; approximately 16 percent of all U.S. milk production was exported last year. In fact, agriculture is one of the few industries that exports more products than it imports, accounting for a \$21 billion trade surplus.

Much of the nation's agricultural trade success has arisen from relationships with Mexico and Canada, which represent the top two agricultural trading partners for nearly every state in the nation, including Pennsylvania. Dairy is no different. Since 2015, Mexico and Canada have ranked first and third, respectively, in export markets for U.S. dairy products. As a result, any

trade agreements involving Mexico and Canada are critical to our nation's agricultural industry, and the USMCA represents a chance to bring vital benefits to the industry, particularly for dairy farmers.

While not a cure-all for the industry's woes, if approved, USMCA will provide meaningful benefits for American dairy farmers. The agreement will increase dairy market access to Canada by 3.6 percent—a level even better than under the Trans-Pacific Partnership. Some specific examples include an export increase of 50,000 metric tons of fluid milk by year six of the agreement, along with 12,500 metric tons of cheese and 10,500 metric tons of cream over the same time frame. In total, the agreement is expected to increase dairy exports by 100,000 metric tons annually once fully implemented.

Additionally, within six months of USMCA's implementation, Canada has agreed to end its protectionist Class 7 pricing scheme that flooded the global market with subsidized skim milk powder and lowered Canadian demand of U.S. ultra-filtered milk for cheese production. In turn, many American dairy farmers will benefit from the pricing scheme elimination by being able to compete globally on equal terms.

USMCA will also provide benefits beyond the dairy sector. Canada has agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing purposes. Poultry exports will increase by 10,000 metric tons over a six-year period, turkey exports can potentially increase by 1,000 metric tons each year for 10 years, and eggs and egg-equivalent product exports will increase by approximately 16 percent over a six-year period.

Finally, the USMCA includes provisions that enhance science-based trading standards as the foundation for sanitary and phytosanitary measures for agricultural products. The agreement is also the first of its kind to include provisions that address cooperation, information sharing, and other trade rules related to biotechnology and gene editing.

As the Administration was negotiating USMCA, many farm groups issued a simple message of “do no harm.” Since its passage, NAFTA had worked remarkably well and brought significant benefits to agriculture, increasing U.S. agricultural exports to Canada and Mexico by approximately \$30 billion. In our view, the Administration has succeeded in “doing no harm,” and done one better. Nearly all agricultural exports remain subject to zero tariffs, significant and historical strides for the dairy industry have been made with Canada, and many other commodities such as poultry and eggs have gained increased Canadian market access. Given these advancements, we urge Congress to finalize USMCA’s passage.

Beyond USMCA, the agreement provides a positive paradigm for future trade agreements, including potential noteworthy deals with Japan and the European Union, particularly given its emphasis on science-based sanitary standards and inclusion of biotechnology and gene editing. On the other hand, if USMCA’s passage is substantially stalled or falls short, the Administration is unlikely to negotiate similar gains in future trade deals.

As mentioned, trade agreements in and of themselves are not a magic potion to fix all the difficulties with the farm economy. But when meaningful, long-term improvements are negotiated, such agreements can provide significant benefits to a farmer’s livelihood and help keep farm operations afloat during cyclical downturns. We believe the USMCA is such an agreement. We believe the USMCA will help American farmers, particularly dairy farmers, and we respectfully request Congress move forward with its passage. Thank you again for allowing me the opportunity to share my story on behalf of Pennsylvania farmers.



Question for the Record for Ms. Rebecca Dostal from Mr. Spano

As in Iowa, Florida has also been hurt by inequitable trade practices. Our farmers of seasonal produce (particularly growers of strawberries and tomatoes in the winter months) have for years been dealing with the harmful effects of below-cost imports from Mexico. These imports strain rural communities and are slowly driving our farmers out of business. You mentioned that retaliatory tariffs are harming farmers in Iowa. Have you seen any other trade practice that caused a notable strain on farmers in your community?

While we do not have as clear cut data and specific evidence of other trade practices that have caused strain on the farm, we do know that there are other practices that have hurt our market share. Policies such as the precautionary principal used by the EU which prohibits Biotech acceptance in Europe has always depressed exports. The same is true when it comes to Asian nations who refuse to accept advanced technology in our crops. We have also seen limits on tolerance levels in the countries that do accept Biotech foods, and there is often manipulation of sampling used to reject some shipments. Finally, we see non-scientific standards that act as barriers to access to foreign markets.

